



Tracking the Distributive Effects of Budget Policy

Including an analysis of the gains from income taxation reductions from 2014-2026

2026 edition



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1. Introduction

Each year, on the day after the annual Budget is announced, *Social Justice Ireland* produces an analysis and critique of that Budget. Included in that document is an assessment of the direct distributive impact of the measures announced by Government. These principally capture changes to income taxes, welfare payments and other universal payments/entitlements.

This document complements our most recent analysis, following Budget 2026, and also includes an assessment of how the gap between jobseekers and those on middle and very high incomes has changed as a result of that Budget and policy choices over the past decade.

A new addition to this year's document is an assessment of the distribution of income taxation reductions over the period from 2014-2026. We choose Budget 2014 as a starting point for this assessment, as this is when the current wave of income tax reductions commenced following the economic crash.

The final section of the document provides further details on the approach taken by *Social Justice Ireland* to generate these results.

2. Distributive Analysis of Budget 2026

Budget 2026 (October 2025) marked the first Budget of the new coalition Government that took office in January 2025. In this section of the report, we track the distributive impact of the policy choices it made in its first Budget and present this alongside the changes made over the term of office of the previous Government (2020-2025).

Our analysis captures changes to the value of core welfare payments and any changes to tax credits, tax bands, the USC and PRSI rates. We focus on these 'permanent measures' as a means of assessing the underlying distributive picture of policy choices. Similarly, we include the cumulative value of these permanent policy changes over the five years from 2020-2025 (the term of the previous coalition Government). Temporary and once-off measures introduced during the cost-of-living crisis are not included.

The households we examine are those tracked annually in our income distribution model. They are spread across all areas of society and capture those with a job, families with children, those unemployed and pensioner households. Within those households that have income from a job we include workers on incomes ranging from €30,000 to €200,000; €30,000 is almost equivalent to the living wage for a single worker. In the case of working households, the analysis is focused on PAYE earners only.

At the outset it is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes (VAT and excise), other charges (such as prescription charges and state exam fees), rent credits, mortgage interest tax relief, and property taxes. Similarly, it does not capture the impact of changes to the provision of public services. As the impact of these measures differs between households it is impossible to quantify precise household impacts and include them here. Also, for related reasons, we do not capture changes in earnings although CSO data indicate that these have been significant over the past three to four years reflecting shortages of labour, inflation pressures and public-sector pay agreements. We present the results of our analysis in Table 1.

Following Budget 2026, the overall picture is one with a welcome progressive profile. For households with jobs weekly income will marginally decrease in 2026, mainly driven by the planned increase in employees PRSI from October 1st. These income decreases range from 39c per week (for low-income earners on €30,000) to €3.81 per week a high-income couple with joint earnings of €200,000. The Budget 2026 increases in welfare

payments, including those targeted at children, have led to all households dependent on welfare experiencing weekly gains. These range from €10 per week for single unemployed individuals to €48 per week for couples with 2 children aged over 12 years.

Table 1: Weekly Income Changes (€) as a result of Tax and Benefit Changes in Budget 2026 – plus value of permanent incomes changes over 2020-25

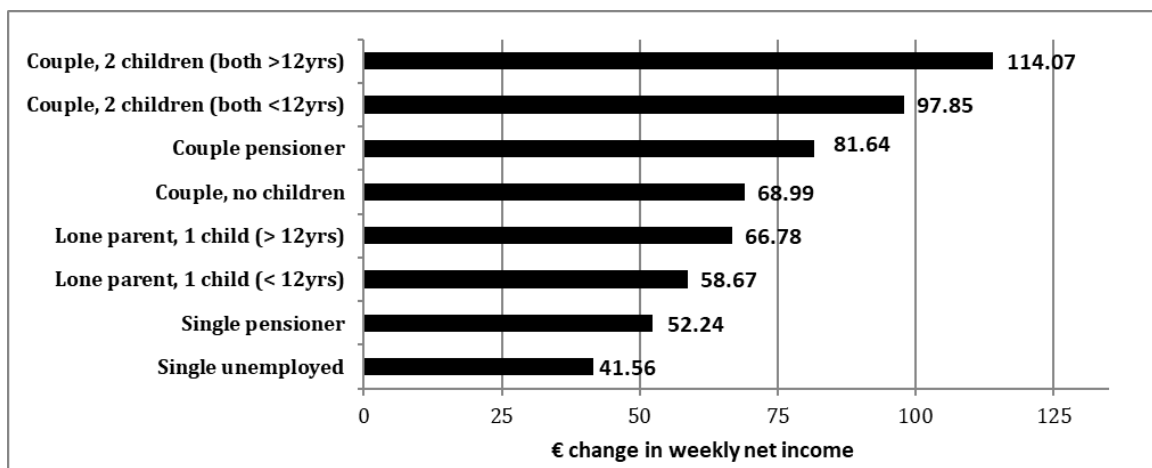
	All permanent measures 2020-2025	Budget 2026
Welfare Dependent Households		
Couple, 2 children (both >12yrs), no job	+114.07	+48.60
Couple, 2 children (both <12yrs), no job	+97.85	+32.60
Lone parent, 1 child (> 12yrs), no job	+66.78	+28.68
Couple pensioner	+81.64	+21.68
Lone parent, 1 child (< 12yrs), no job	+58.67	+20.68
Couple, no children, no job	+68.99	+16.60
Single pensioner	+52.24	+12.68
Single no job	+41.56	+10.00
Households with Jobs		
Single, job at €30,000	+16.80	-0.39
Couple 1 earner at €30,000	+3.34	-0.39
Couple 1 earner and 2 children, at €30,000*	+3.34	-0.39
Single, 1 child, job at €30,000*	+21.59	-0.39
Single, job at €40,000	+37.64	-0.61
Couple 2 earners at €60,000	+32.28	-1.04
Couple 2 earner and 2 children, at €60,000	+32.28	-1.04
Single, job at €60,000	+58.24	-1.04
Couple 1 earner at €60,000	+71.42	-1.04
Couple 2 earners at €80,000	+74.80	-1.22
Couple 2 earners at €100,000	+110.74	-1.65
Single, job at €100,000	+60.01	-1.90
Couple 1 earners at €100,000	+73.35	-1.90
Single, job at €120,000	+58.38	-2.33
Couple 2 earners at €150,000	+116.02	-2.73
Couple 2 earners at €200,000	+119.85	-3.81

Source: *Social Justice Ireland* Income Distribution Model.

Notes: *Depending on circumstances, these household may also be entitled to the Working Family Payment. Couple one earner is assumed to receive the Home Carer Tax Credit. Tax changes include changes to income taxes and PRSI.

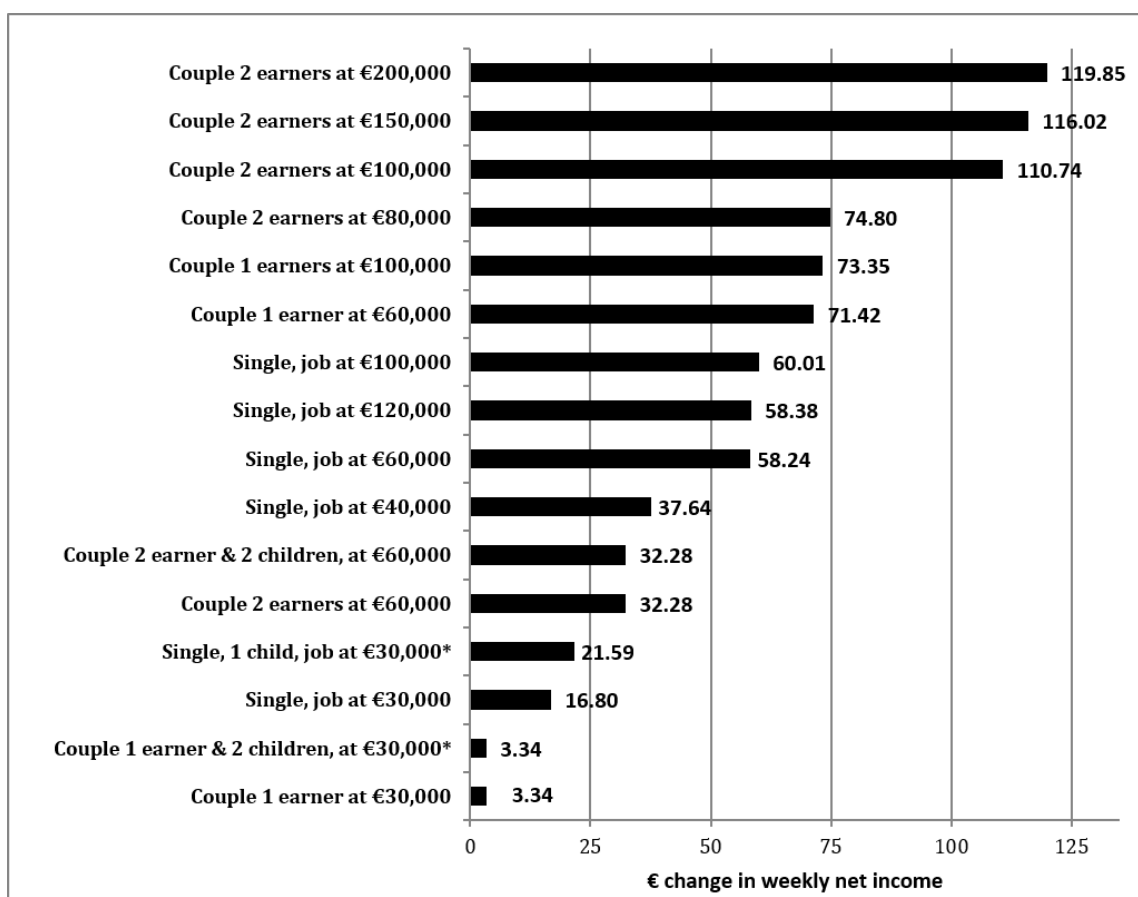
The Budget 2026 outcome contrasts with the choices made over the period from 2020-2025. As different policy priorities can be articulated for each Budget and policy initiative, it is useful to bring together the cumulative effect of all these policy changes on various household types during the full term of a Government. During those years, despite welcome welfare increases, especially for families with children, it was the highest earners who gained most (see Table 1 and Charts 1 and 2). The analysis also demonstrates how low-income working families, those with incomes below the standard rate income tax threshold, gained least from budgetary choices over 2020-2025. Year after year this large group of workers, earning around €15 to €20 per hour (€30,000 to €40,000 per annum), hears of ‘gains’ from the Budget but experiences little if any of them; something that cannot persist both due to its distributive effects and the socio-political reality that we cannot keep ignoring these workers and families. *Social Justice Ireland* has continually highlighted the relevance of refundable tax credits as a means of making the taxation system fairer and helping this low-income group.

Chart 1: Cumulative Tax and Benefit Increase in Weekly Income for Welfare Dependent Households, 2020-2025



Source: Social Justice Ireland Income Distribution Model.

Chart 2: Cumulative Tax and Benefit Increase in Weekly Income for Households with Jobs, 2020-2025



Source: Social Justice Ireland Income Distribution Model.

Notes: *Depending on circumstances, these household may also be entitled to the Working Family Payment. Couple one earner is assumed to receive the Home Carer Tax Credit. Tax changes include changes to income taxes and PRSI.

The deterioration in the relative standing of low and middle income households presents a troubling picture, one that is likely to reveal itself further in the official income distribution data from the CSO. *Social Justice*

Ireland regrets that much of the recent progress on income distribution and inequality will have been reversed by these policy choices. Looking ahead, reversing these increased income gaps will pose important challenges for future budgetary policy. Budget 2026 made some welcome, if small, steps in that direction.

3. The Rich-Poor and Middle-Poor Gap

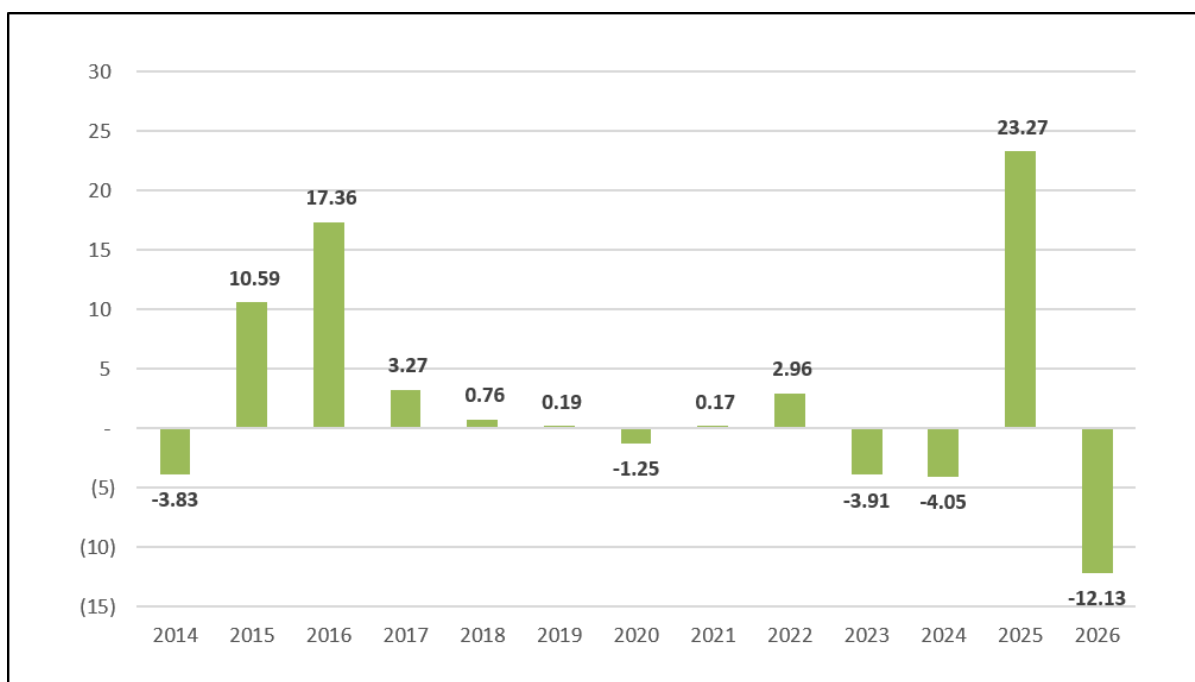
As well as tracking the post-Budget income levels of different households, *Social Justice Ireland* is also focused on assessing how the income divides between different household types have changed following the adoption of Budgetary policies. Taking such an approach offers valuable insights into some of the short-term and medium-term trends in income inequality. Again, there is merit in undertaking this analysis over multiple years so that the cumulative effect of budgetary policies is captured. To achieve this, we track the following two gaps: the Rich-Poor gap and the Middle-Poor gap.

The Rich-Poor gap

This gap monitors the income of single individuals on jobseekers’ benefit (‘poor’) and the disposable income (after income taxation and employee social insurance) of a single PAYE worker earning €100,000 (‘rich’). An annual income of €100,000 is chosen as representing very high-income earners given that – it represents the top 10 per cent of earners according to the latest CSO earnings distribution data, and it is over twice median earnings.

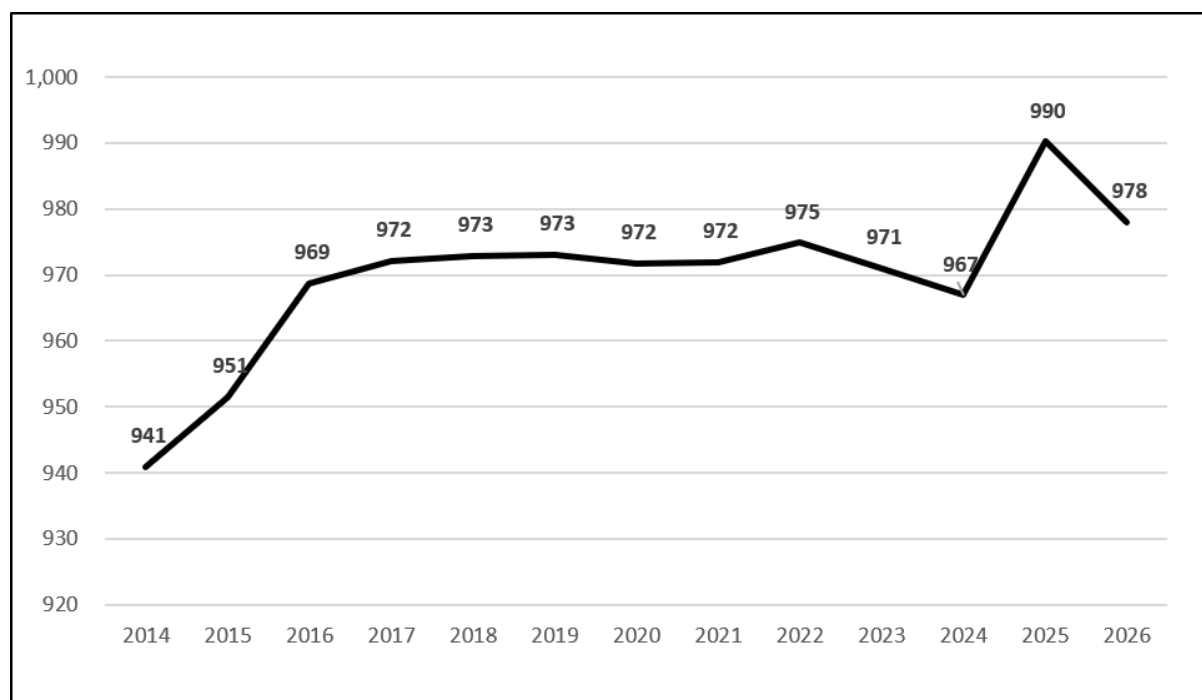
The analysis tracks both the change to this gap each year (see chart 3) and the overall size of this gap following the most recent Budget (see chart 4). The analysis covers the period from Budget 2014 to the most recent measures.

Chart 3: Budget-by-Budget Change in the Weekly Rich-Poor Gap, 2014-2026



Source: *Social Justice Ireland* Income Distribution Model.

Notes: The analysis presents the measures as announced in each annual Budget including temporary supports for that budgetary year.

Chart 4: The Rich-Poor Gap, 2014-2026 (€ per week)

Source: Social Justice Ireland Income Distribution Model.

Notes: See notes to Chart 3.

As a result of all the income taxation and welfare measures adopted in Budget 2026, the rich-poor gap will decrease by €12 per week (€633 per annum) in 2026. After that Budget, the cumulative rich-poor gap stood at €978 per week (€51,000 per annum). Although the gap decreased relative to the outcome from Budget 2025, the 2026 gap is still the second highest level we have recorded since our analysis commenced.

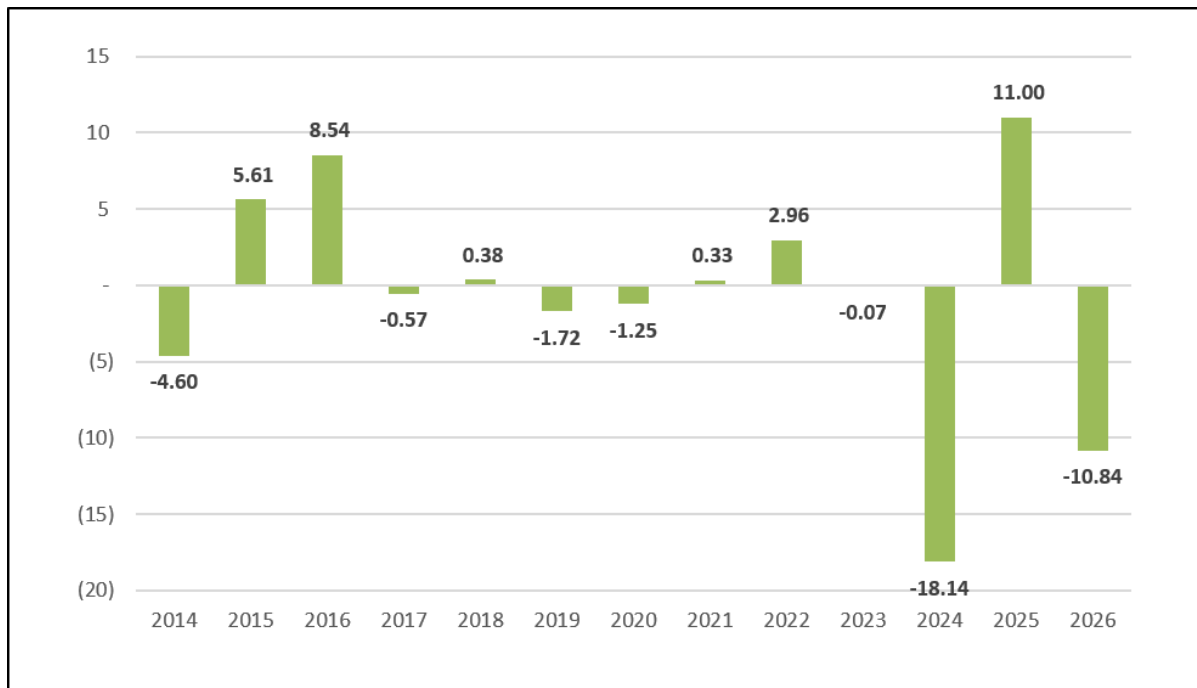
Over the last decade (2016-2026), the rich-poor gap has widened by €9.29 per week (€485 per annum) meaning the gap between those with the highest incomes and those on the lowest has widened as a result of policy choices - an outcome we regret.

The Middle-Poor gap

This gap monitors the income of single individuals on jobseekers' benefit ('poor') and the disposable income (after income taxation and employee social insurance) of a single PAYE worker earning €40,000 ('middle'). This middle-income figure is not dissimilar to the latest value for median earnings of €44,816 (CSO for 2024). The analysis tracks both the change to this gap each year (see chart 5) and the overall size of this gap following the most recent budget (see chart 6). The analysis covers the period from Budget 2014.

As a result of all the measures adopted in Budget 2026, the middle-poor gap decreased by almost €11 per week (€565 per year). The cumulative middle-poor gap stood at €385 per week (€20,074 per annum) in 2026. Over the last decade (2016-2026), the middle-poor gap decreased by almost €18 per week (€935 per annum); an outcome driven by the limited gains provided to low income workers paying income tax at the standard rate over most recent budgets.

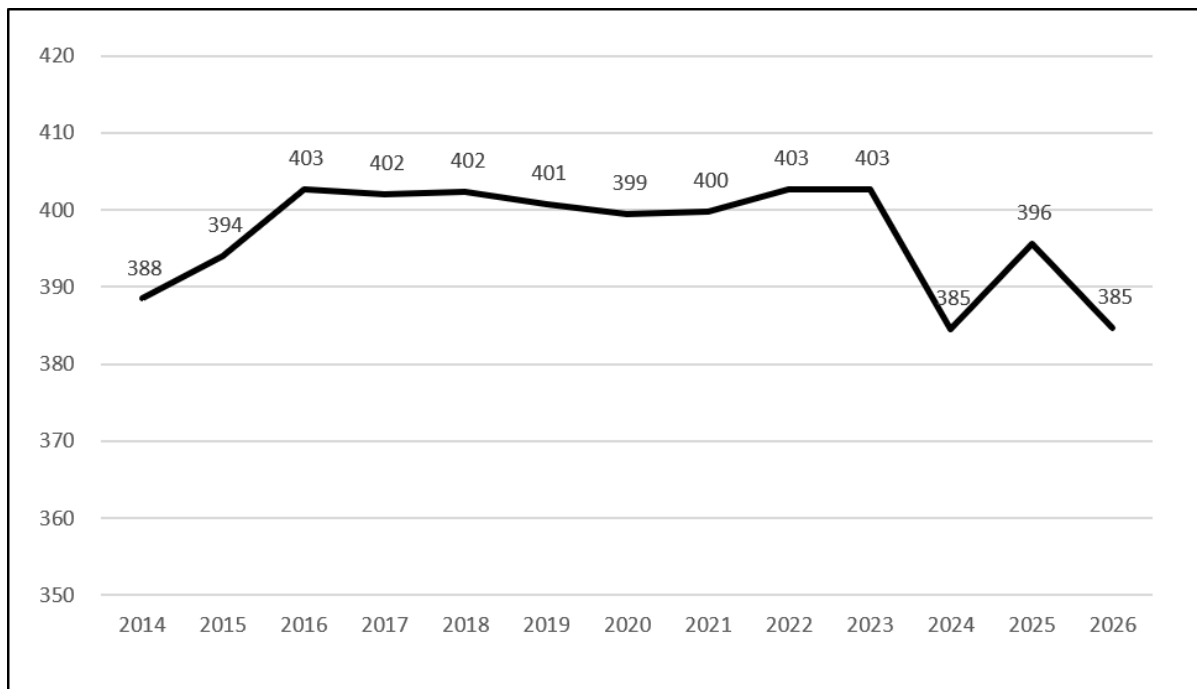
Chart 5: Budget-by-Budget Change in the Weekly Middle-Poor Gap, 2014-2026



Source: Social Justice Ireland Income Distribution Model.

Notes: This analysis tracks the annual disposable income change in the gap between single jobseekers and PAYE earners on €40,000 per annum. See also notes to Chart 3.

Chart 6: The Middle-Poor Gap, 2014-2026 (€ per week)



Source: Social Justice Ireland Income Distribution Model.

Notes: See notes to Chart 5.

4. Distribution of Income Tax Reductions 2014-2026

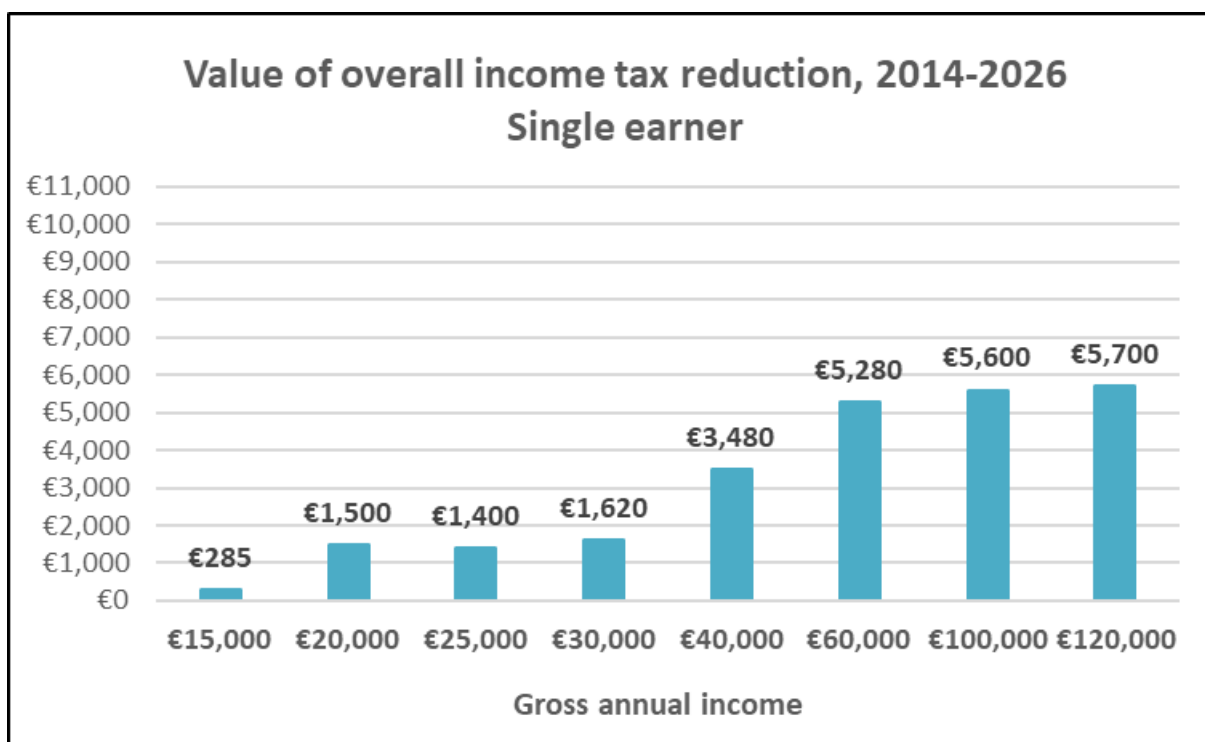
Budgets since the end of the last economic crisis have frequently given emphasis to providing reductions in income taxation. Some recent commentary has also suggested that income taxes are abnormally high and that some further income tax cuts are needed. However, as we demonstrate in this new section, the evidence suggests otherwise.

Here we examine the scale and distribution of the income taxation changes made since 2014. We choose Budget 2014 as a starting point, as this is when the current wave of income tax reductions commenced following the economic crash. Over three charts (7a, 7b and 7c) we compare the total annual value of these reductions between 2014 and 2026. The analysis captures changes to income tax rates, USC rates, social insurance rates and structures, and income tax credits. Given difference to the structure of tax bands and credits, we examine this for single individuals, couples with one earner and couples where both members are earning. The earnings levels we examine span the entire earnings distribution, from part-time low-income workers to those comfortably in the top decile of earners.

As we outlined earlier, Budget 2026 (October 2025) made limited changes to income taxes with bands, credits and rates left unchanged. Small changes to some USC thresholds were introduced alongside the planned October 2026 increase in PRSI rates. Overall, for the first time since 2013, post-tax income will (marginally) fall for most households in 2026 (see Section 2 earlier). However, despite this many earners have received substantial income tax reductions over recent years. For example, a single earner with a gross income of €40,000 paid €9,920 in income taxes, employee PRSI and USC in 2014 and pays €6,440 in 2026; a reduction of €3,480 (see Chart 7a).

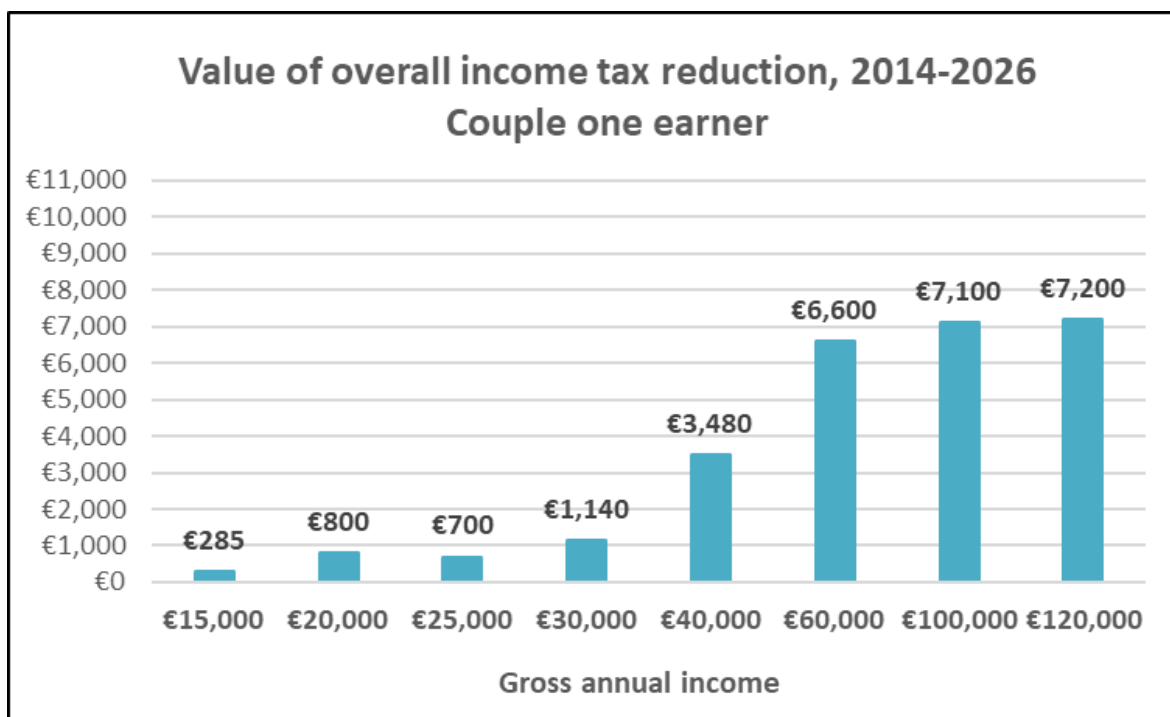
Our analysis highlights a number of points. First, it provides evidence of the scale of the income tax reductions delivered over the last 12 years; these are often overlooked, yet are substantial at the individual/household level and at the exchequer level. Second, the charts illustrate the distribution of these income tax decreases. As we have consistently highlighted in our annual budget documents the gains have been notably skewed to higher income earners and households.

Chart 7a, b and c: Annual Value of Income Tax Reductions, 2014-2026



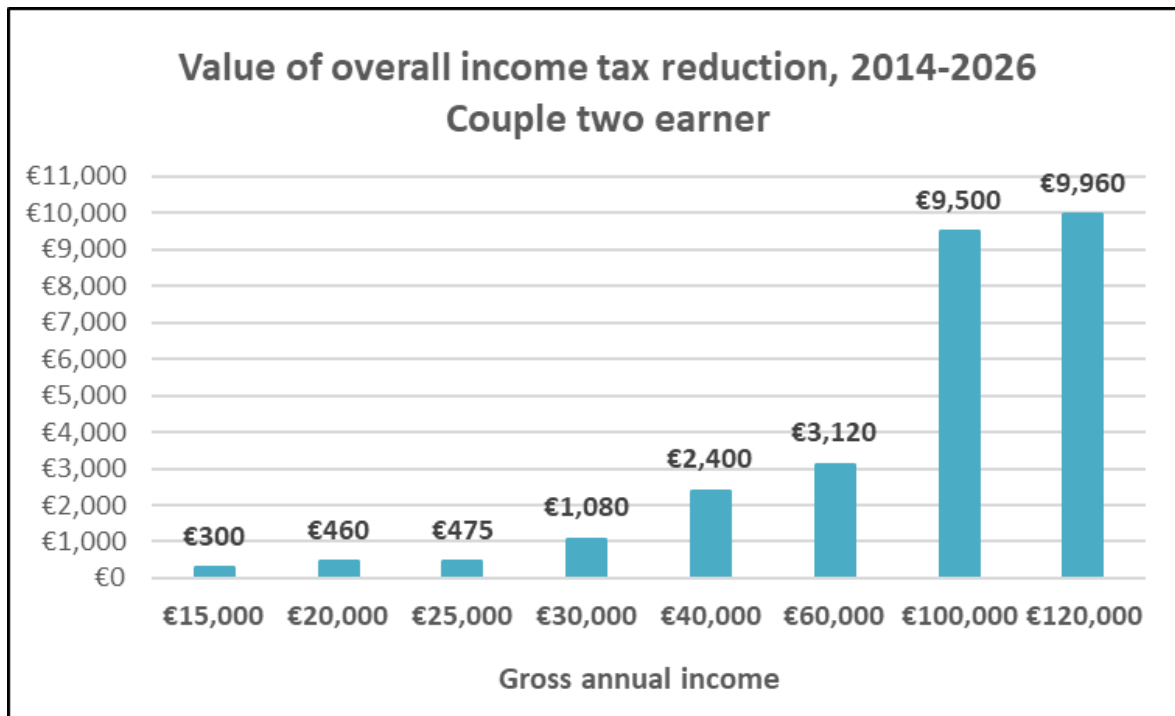
Source: Calculated from Department of Finance Budget Documents - various years.

Note: PAYE workers.



Source: Calculated from Department of Finance Budget Documents - various years.

Notes: PAYE workers. Couples with 1 earner are assumed to receive the home carer tax credit.



Source: Calculated from Department of Finance Budget Documents - various years.

Notes: PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%.

5. Social Justice Ireland's Income Distribution Model

Over the past decade *Social Justice Ireland* has developed its ability to track the distributive impact of annual Budget's on households across Irish society. Our analysis tracks changes from year to year (pre and post a Budget) and across a number of recent years (the lifetime of a Government etc). In this section, we describe the components of the model as it currently stands. We plan to continue to develop this model over time and details of these updates will be included in future editions of this document.

There are currently 28 household types included in the model. These have been selected on the basis of their representativeness in the income distribution and their importance for policy analysis. While some households (e.g. high income ones) are uncommon, there is a relevance in tracking the benefits or losses they incur as a result of policy measures. Household with and without children are included. Households at key points in the earnings distribution are included:

- at around the annual value of the living wage (as defined by the Living Wage Technical Group)
- at levels of earnings approximately equivalent to median earnings (€40,000) and multiples of this.
- at an income of €100,000 and above

The households examined divide into those with a job and those who are dependent on welfare income. The full set of households currently tracked by this analysis is outlined in **Table 2**.

The sources of income and welfare included in the analysis are outlined in **Table 3**. For many households, such as working households with children, income is received from both work and welfare and this composition of income is reflected in the analysis. Following Budget 2015 we included the 'water conservation payment' although it is not included in the analysis in subsequent years. Budgets 2017, 2018 and 2019 announced welfare increases to take place part way through the year and the weekly value of the annual increase in this payment is included. A similar approach is taken to welfare payments paid for part of the year (e.g. fuel allowance) or for cost of living supports provided over 2022-2025. Following Budgets 2024, 2025 and 2026, an adjustment has been made to the employee PRSI calculation to capture its increase in the final quarter of the year. As the model is tracking income changes over time, there are a number of welfare payments included in the analysis that do not currently exist, for example the Early Childhood Supplement.

Finally, **Table 4** details the income taxation and social insurance measures that are included. Again, as the model is tracking income changes over time, there are a number of income taxation measures included in the analysis that do not currently exist, for example the income levy.

Table 2: List of Households Included in the Analysis

Working Households	Welfare Dependent Households
Household type - single PAYE	Working age Welfare Dependent
Single, job at €30,000*	Single no job
Single, job at €40,000*	Couple, no children, no job
Single, job at €60,000*	Couple, 2 children (both <12yrs), no job*
Single, job at €100,000*	Couple, 2 children (both >12yrs), no job*
Single, job at €120,000*	Lone parent, 1 child (< 12yrs), no job*
	Lone parent, 1 child (> 12yrs), no job*
Household type - lone parent	
Single, 1 child, job at €30,000*	Retired Welfare Dependent
	Single pensioner (66yrs plus)
Couple - 1 earner (caring for an adult parent)	Couple pensioner
Couple 1 earner at €30,000	
Couple 1 earner and 2 children, at €30,000	
Couple 1 earner at €60,000	
Couple 1 earners at €100,000	
Couple - 1 earner (no caring role)	
Couple 1 earner at €30,000	
Couple 1 earner and 2 children, at €30,000	
Couple 1 earner at €60,000	
Couple 1 earners at €100,000	
Couple - 2 earners (65%/35% income split)	
Couple 2 earners at €60,000	
Couple 2 earner and 2 children, at €60,000	
Couple 2 earners at €80,000	
Couple 2 earners at €100,000	
Couple 2 earners at €150,000	
Couple 2 earners at €200,000	

Notes: * indicates households that were revised or added as part of the 2021 model rebase. Pensioners are assumed to be receiving a contributory pension. Single earner households at the precise value of the minimum wage and living wage were discontinued from 2025.

Table 3: Sources of Income and Welfare Included in the Analysis

<u>Households with a Job</u>
Earnings
Child Benefit (where applicable)
Early Childhood Supplement (where applicable)
Water Conservation Payment (2015 only)
One off payments and credits, such as those announced during the 2022/25 cost of living crisis
<u>Welfare Dependent Households</u>
Jobseekers Benefit - over 25yrs
Jobseekers Benefit with qualified adult - over 25yrs
One Parent Family Payment - with 1 qualified child under 7yrs
State Pension - Contributory and under 80yrs
State Pension - Contributory and under 80yrs couple with qualified adult 66+
Qualified child (all to up to 2018; less than 12 years from 2019)
Qualified child - more than 12 years from 2019
Child Benefit 1st child
Child Benefit 2nd child
Child benefit 3rd child
Early Childhood supplement (per child up to 6yrs / 5.5yrs from Oct 2008)
Living alone allowance
Fuel allowance
Household Benefits Package
Back to School Clothing and Footwear Allowance
<i>The Christmas Bonus is applied to these welfare payments as appropriate</i>
One off payments and credits, such as those announced during the 2022/25 cost of living crisis
Water Conservation Payment (2015 only)

Table 4: Income Taxation and Social Insurance Measures Included in the Analysis

<i>Income Taxation</i>
Standard rate
Higher rate
Standard band couple one earner
Standard band couple two earners
Standard band lone parent
Tax credits:
Personal
PAYE
Couple/civil partnership
Home Carer
Single person child carer credit
<i>Universal Social Charge (USC)</i>
USC and its predecessors (income levy, training levy etc) are included
various USC thresholds
various USC rates
USC surcharge for Self Employed
<i>Pay Related Social Insurance (PRSI)</i>
PRSI exemption for low earners PAYE
PRSI taper for low earners PAYE
PRSI rate PAYE
PRSI low income exclusion: Self-employed
PRSI rate Self Employed
Minimum PRSI contribution Self Employed

Social Justice Ireland is an independent think-tank and justice advocacy organisation of individuals and groups throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

Social Justice Ireland,
1-3 Burton Hall Road,
Sandyford,
Dublin 18
Phone: 01 290 3597
Email: secretary@socialjustice.ie
Charity Number: CHY 19486
www.socialjustice.ie

