

A New Model of Basic Income for Ireland

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Introduction

One of the most common objections to basic income is that it would be inordinately expensive, requiring excessive levels of taxation. A typical way of raising the objection is to do a simple computation of the total cost of basic income by multiplying the rate by the population, and to compare that large sum with other government expenditure. A moment's reflection suggests that there's something fishy about that manoeuvre, since, unlike other government expenditure, the bulk of basic income is paid directly precisely to the people who are paying for it, so most of the supposed total cost of basic income is notional. But this point is hard to grasp in the absence of a specific model of basic income and its funding. This paper sets out such a model.

Among the many schemes for funding basic income, income tax still holds a central place. This is unsurprising for a number of reasons: it builds on existing tax systems; it is relatively easy to calculate; and its distributive impact is relatively easy to assess. In this paper, we draw on the structure of the Irish tax system to suggest a way of implementing changes in income tax to carry the main burden of funding basic income.

Normatively, we have two main objectives. The first is that a basic income system should be egalitarian, in both the modest sense that the income distribution under basic income should be more equal than the distribution of income from all other sources ('market income'), and the less modest sense that it should be more equal than the current distribution of nett incomes. For the sake of this exercise, however, we aim for a basic income scheme that is only mildly more egalitarian than the existing tax system, because our aim is to focus on the issue of funding. Our second aim is that the tax system should be progressive, meaning that the *effective tax rate* on any individual's income should rise as their market income rises. We define the effective tax rate as follows:

$$\frac{\text{Deductions from market income} - \text{basic income payment}}{\text{Gross market income}}$$

Economically, our objective is to devise a system in which a relatively high level of basic income is feasible; specifically, a level of basic income in the region of what is necessary for a decent if frugal standard of living, an ‘adequate’ basic income.

Politically, our objective is to devise a system that is sufficiently transparent and intelligible in its central funding mechanism that it can attract widespread popular consent.

It is not our aim to present a blueprint for implementing basic income in Ireland, but to address some central issues about funding a basic income system. In particular, we recognise that there are good arguments for setting the rate of basic income at both higher and lower rates than those we employ in this paper.

It is widely assumed that our normative objectives can only be achieved by means of a schedule of *marginal* income tax rates that start low and rise with market income. These are clearly progressive. The main problem is that once you adopt this mindset, you find that the marginal tax rates on high incomes necessary for funding an adequate basic income need to be higher than is widely considered economically or politically feasible.

By contrast, it has been noted many times in the past that our normative objectives could also be achieved by means of a schedule of marginal income tax rates that start high, fall on middle incomes, and rise with higher incomes, a V-shaped profile (see the discussion by Van Parijs and Vanderborght (2017:163–168)). The main problem with this proposal, we believe, is that it seems counterintuitive – Van Parijs and Vanderborght call it ‘regressive’ – and so it fails to satisfy our political objectives. Our proposal is very much in the V-shaped camp, but we use features of the Irish tax system to try to make the scheme more transparent and intelligible. Using real data from the Revenue Commissioners of Ireland (hereafter ‘Revenue’), we show that our proposal is *progressive* in the sense defined above, namely that taxpayers’ *effective* rates of tax rise as income rises.

In the Irish tax system, people with market income face three categories of deduction:

- 1 Income Tax (IT)
- 2 Pay-Related Social Insurance (PRSI)
- 3 Universal Social Charge (USC).

A fourth element of taxation is Employer's PRSI, which is based on, but not deducted from, gross pay.

In the current system, each of these taxes is paid at higher rates for higher incomes, but they are broadly, if vaguely and somewhat inaccurately, understood as serving different functions. PRSI is understood to fund contributory benefits, such as unemployment and illness benefits and contributory pensions. USC is understood to contribute to the cost of universal public services, particularly health and education. IT is understood to contribute to all other state expenditure.

In our proposal, we reconceptualise USC - which we redesignate as Universal Basic Income Contribution (UBIC) - as providing the main funding for basic income. Compared with USC, we propose rates for UBIC so that the rate is relatively high for market incomes up to twice the rate of basic income. It then falls to a lower rate for middle incomes and rises for higher incomes. We make no major alterations to PRSI, only some simplification. On Income Tax, we retain existing rates and bands, but suggest the elimination of tax credits that can be thought of as being replaced by basic income, particularly the single and married persons' tax credits and the earned income credit; we also incorporate an already-proposed change in the pension system which replaces tax relief on pension contributions with a new state-subsidised scheme. Here again, there is scope for a much broader elimination of credits and allowances, but we adopt a deliberately conservative approach to reduce complication. Finally, we suggest a small increase in Employer's PRSI, again leaving scope for higher rates.

What we hope is transparent and intelligible in this proposal is the idea that UBIC is each market-income-recipient's way of paying for the income security that they get from basic income. For the first tranche of market income – up to twice the level of basic income itself – UBIC is charged at 30%, which is construed as a way of 'paying back' some of the basic income they are unconditionally guaranteed to get. At the top of that range of incomes, UBIC 'pays back' 60% of basic income. Above this level, UBIC drops to a lower pair of rates. Accordingly, a person's total UBIC reaches their total basic income at a market income of seven times the level of basic income, and people with higher market incomes clearly become net contributors to the funding of basic income. The distribution of market income in Ireland means that total UBIC at these rates would only fund about half of basic income for the whole adult population, so there is still an important role for income tax and other taxes. But UBIC plays a central role, and provides a clear indication

of how basic income becomes of less and less significance in a person's net income as their market income rises.

Alongside UBIC, market-income-recipients remain liable for income tax, PRSI, and, of course, various other taxes such as VAT, property tax, excise duties, and Capital Acquisitions Tax. Focusing on taxes on income, the UBIC rate has to be combined with rates of income tax and PRSI, as well as with the basic income payment, to calculate effective tax rates for people at various incomes. We show below that our scheme is progressive in the sense set out above, namely that the *effective* tax rate rises as market income rises, despite the fact that the *marginal* tax rate is V-shaped.

The question of what would count as an adequate basic income arises in all basic income discussions. In Ireland, the main work on income adequacy has been done by a voluntary body, the Vincentian Partnership for Social Justice, and their work, which focuses primarily on social protection payments and low pay, reveals the complications involved in providing an answer (see Vincentian Partnership for Social Justice 2021). They argue, and we accept, that the current social protection rates in Ireland, as well as the current minimum wage, are inadequate. At the same time, it is important analytically not to change too many parameters at once. For this reason, we focus our analysis on a basic income level at the same rate as existing unemployment and sickness benefits, which we refer to as a 'nearly-adequate' basic income. Towards the end, we consider the feasibility of a higher level of basic income more in line with the VPSJ's figures and provide a sketch of how the kind of structure we concentrate on here could be used to cover the extra costs involved. We show, unsurprisingly, that this would require more substantial rates of deduction, but that they are not as daunting as one might think.

In common with many other funding models, ours is purely static, using existing incomes. It does not attempt to model the changes in income or employment that would result from the introduction of basic income.

The rest of this paper consists of a brief explanation of the Irish tax and social protection system followed by a more detailed account of our model of basic income for Ireland, focusing on existing social protection rates but indicating how a higher rate of basic income might work. We finish with some concluding remarks.

Our analyses in this paper are based on data published by the Government of Ireland, and most particularly by Revenue and the Department of Social Protection. The detailed data on tax cases and State expenditure are from 2018, which was the most recent year for which all such data were available when we started working on this paper. However, as the basic rates of social protection support were raised in 2019, we employ those rates in our model. Although we intend to update our figures with newer data, we consider the 2018 data, coupled with 2019 social protection rates, to be sufficiently recent to make our central points.

We note that many of the statistical reports provided by Revenue are based on parameters that are not fully compatible with our model's needs. For example, these reports employ several different definitions of 'income' for different purposes, and report numbers of cases in different income bands by reference to 'tax units', which consist either of individual taxpayers or of married couples that have elected for joint assessment (Revenue 2019b; 2021a). Nonetheless, other reports and data allow us to state with some certainty the consequences of our proposed changes. We expect that a greater level of granular data will be available for 2019 and subsequent years following the introduction of on-line reporting by employers to Revenue in that year.

The Irish Personal Income Tax and Social Protection System

Unsurprisingly, the Irish tax and social protection system is a complex amalgam of regulations and exceptions. In this section, we outline its key relevant features.

Ireland's personal income tax system has four separate elements. In 2018, Income Tax (IT) and Universal Social Charge (USC) receipts made up 37% of the overall total nett tax receipts of the State. PRSI contributions from both employees and employers were paid into the Social Insurance Fund (SIF), which helps to pay for social protection benefits and pensions. Taken together, the four elements made up 45% of all State taxes collected in 2018 [see Appendix 1].

Each of these statutory payments is based on a different definition of individual Gross Income, and each is calculated with differing rates, thresholds, credits and reliefs. Income Tax, in particular, is complicated by a variety of schemes that incentivise some activities and benefit some groups [see Appendix 2]. Such reliefs are, by definition, only used by those who pay tax, and they particularly benefit those on higher incomes. In general, the system generates a progressive outcome in which

individual effective tax rates increase as income increases, but the strategic use of credits and exemptions can dramatically reduce some people’s tax liabilities and lead to regressive outcomes.

Ireland’s Revenue and Department of Social Protection are charged with the collection of these taxes and the distribution of a wide range of social transfers. Table 1 shows key items of income and expenditure in 2018.

2018 State Finances Extract		
	<i>Money In €m</i>	<i>Money Out €m</i>
Income Tax	16,235	
USC	3,738	
PRSI to Social Insurance Fund	11,155	
Social Protection Supports		19,676
Nett State Income	11,452	

Table 1. Selected Highlights of State Income and Expenditure in 2018. Sources: Revenue 2019a, Department of Employment Affairs and Social Protection 2020.

In 2018, tax payments were collected from and on behalf of 3,094,387 individuals, whose total Gross Income came to €105,491m (Revenue 2019b).

The figure for Social Protection Supports in Table 1 covers all payments made by that Department in 2018 and covers both social assistance and social insurance programs, but excludes administrative costs of €751m [see Appendix 3].

Income Tax

For each individual, Income Tax is calculated in the following manner.

- Gross Income is the total of pay of any kind, including: notional pay (also called benefit-in-kind) and share-based remuneration. before any pension contributions or salary sacrifice deductions are made.
- Taxable Income is calculated by deducting pension contributions (subject to limits) and other exemptions, allowances or exclusions from Gross Income.

- Gross Tax is calculated at the standard rate of 20% on income up to the individual's Standard Rate Cut-Off Point (SRCOP).
- If taxable income exceeds this SRCOP, income tax at the higher rate of 40% is calculated on the balance of income and is added to arrive at an interim Gross Tax calculation.
- This Gross Tax figure is then reduced by the individual's tax credits to arrive at Nett Tax.
- Unused tax credits are not refunded.

In 2018, a typical individual had a tax credit of €3,300 and an SRCOP of €34,550. However, the tax code includes many specific provisions that can increase either of these figures, resulting in significant options to reduce tax. Revenue calculated the cost of the 'tax lost' from all of these provisions as approximately €19,820m (Revenue 2020b). Of particular note is the provision for pension relief at the higher rate of tax up to an income ceiling of €115,000.

USC

USC is calculated on Gross Income, before pension deductions but excluding taxable State benefits. There is an exemption from USC if the individual's Gross USC-able Income is less than €13,000. Rates rise with income (see Table 2). A 'Reduced USC' rate applies to individuals over 70 years of age and to holders of medical cards (a largely means-tested system of access to health services), the top rate of deduction being 2%. People who have non-PAYE (Pay As You Earn) income pay an additional 3% USC surcharge on such non-PAYE income above €100,000.

	USC	From	To
USC First Rate	0.50%	€0	€12,012
USC Second Rate	2.00%	€12,012	€19,372
USC Third Rate	4.75%	€19,372	€70,044
USC Top Rate	8.00%	€70,044	
USC Surcharge on non-PAYE income	3.00%	€100,000	

Table 2. Main USC Rates in 2018

PRSI

Ireland's social protection system is a mix of social assistance, which is means-tested, and social insurance, which is conditional on PRSI class and contribution record. There are nine different PRSI Classes, each with its own set of entitlements to social insurance benefits. Within each class, there are sub-classes with their own rates of payment from both employee and employer, based on income.

The most common PRSI class is Class A. In 2018, Class A individuals paid 4% of Gross Income, and their employers paid 10.85% of Gross Income. This class covers all employees in the industrial, commercial and service sectors, a group that includes 74% of the individuals who make PRSI contributions (NESC 2021, p. 37). Table 3 shows the 2018 rates for three largest classes of income-earners. The full list can be found in Appendix 3.

Class	Group	Employee	Employer	Proportion of Income Recipients
A	Commercial, Industrial & Service employees	4%	10.85%	74%
M	Persons aged under 16 and over 66	0%	0%	12%
S	Self-Employed	4%	0%	10%

Table 3. Main PRSI Classes and Rates in 2018

Class A employees paid no PRSI if their income was below €352 per week. A lower employer rate of 8.6% applied for incomes of less than €376 per week.

Taking all three deductions together, we can get a rough picture of the aggregate *marginal* tax rates for most individuals as follows:

Gross Income Bands	IT	USC	PRSI	Aggregate Marginal Rate
0-12,012	0%	0.5%	4%	4.5%
12,012-16,500	0%	2.00%	4%	6%
16,500-19,372	20%	2.00%	4%	26%
19,372-34,550	20%	4.75%	4%	28.75%
34,550-70,044	40%	4.75%	4%	48.75%
over 70,044	40%	8.00%	4%	52%

Table 4: A rough picture of marginal tax rates for different bands of income in 2018, for Class A and S workers and ignoring additional credits and reliefs

So, in the current system, marginal tax rates rise as income rises, and this contributes strongly to the progressive profile of *effective* tax rates. For example, in 2018 a person with an income of €20,000 had an *effective* tax rate of 8.69% while someone with an income of €80,000 had an effective tax rate of 35.51% [see Appendix 7 for a fuller list]. But as we will see in a moment, this rough picture is significantly altered if we factor in social protection payments.

Social Protection

The Irish social protection system is extremely complicated. Table 5 shows the main categories of expenditure in 2018, selected from the 75 support schemes in place in 2018 (Department of Employment Affairs and Social Protection 2020).

	Expenditure	Cases
	€m	
Contributory Pensions	5,217	411,660
Child Benefit	2,098	628,364
Disability Allowance	1,586	140,835
Jobseekers Allowance	1,841	155,133
Surviving Partner Contributory Pension	1,510	121,689
Non-Contributory Pension	1,020	95,263
Carer's Allowance	795	79,914
Invalidity Pension	694	57,768
Illness Benefit	623	55,995
One Parent Family Payment	511	39,265
Working Family Payment	397	54,116
Community Employment Programme	353	n/a
Jobseekers Benefit	339	34,189
Maternity Benefit	265	21,182
Carer's Support Grant	204	3,688
Supplementary Welfare Allowance	112	
Farm Assist	74	6,535
Total	17,639	

Table 5. Main categories of social protection payments in 2018

All of these benefits are based on various conditions, such as PRSI contribution history, family status, availability for paid work, health, and financial means. Many of the adult payments, including Disability Allowance, Illness Benefit, Jobseeker's Allowance and Jobseeker's Benefit, have the same maximum rate, which in 2019 was raised to €203 per week. Many benefits also provide for additional premium payments for adult and child dependants. In particular, households receiving unemployment benefits can get additional payments for children, while low-income households with children can qualify for the Working Family Payment. The maximum Contributory State pension in 2019 was €248.30 per week for people aged 66-79 and €258.30 for people over 80 (Department of Employment Affairs and Social Protection 2020). Child Benefit was paid for all

children under 18 at €140 per month (with higher rates for multiple births, and conditional, for 16- and 17-year-olds, on being in full-time education).

It is important to note that payments to unemployed claimants are withdrawn if they enter paid employment, according to complicated calculations that take into account the type of benefit, the number of days worked per week, and gross income. To take just one example, consider an unemployed person receiving Jobseeker's Benefit - a contributory, not means-tested benefit - who takes up full-time work paying €20,500 a year, which was about the annual pay for a minimum wage job in 2018. This worker will have a net increase in income of only about € 8,200 (Department of Social Protection 2021). As this is equivalent to a marginal tax rate of 60%, the figures in Table 4 are quite misleading.

Student Grants

One other significant form of income support in Ireland is the Student Grant Scheme (SUSI). This is a means-tested scheme that provides a maximum annual maintenance payment of €5,915, as well as a payment to cover fees and so-called student contributions. The SUSI budget in 2018 was €360m, of which about 47% went toward maintenance payments (Phulphagar and Kane 2020).

Our Model

Our model is based on the aim of providing basic income at the same rates for adults as the core social protection payments just mentioned (Table 6). Child Benefit is already a (nearly) universal, unconditional benefit and our model does not change its rates. Basic income payments are deemed to be tax-free.

Age	Weekly Basic Income	Annual Basic Income
18 - 65	€203.00	€10,593
66 - 79	€248.30	€12,956
80 +	€258.30	€13,478

Table 6. Proposed rates of basic income for adults

In 2018, the most recent census had been carried out in 2016 (Central Statistics Office 2021). It is summarised in Table 7.

Age	Population	Share of population
0 – 17	1,190,502	25%
18 – 65	2,977,952	63%
66 – 79	444,819	9%
80 +	148,592	3%
Total	4,761,865	

Table 7. Irish age distribution in 2016

Combining these two sets of figures, the total projected basic income expenditure for adults is given in Table 8.

Age	€m
18 – 65	31,544
66 – 79	5,763
80 +	2,003
Total expenditure	39,310

Table 8. Total basic income expenditure for adults based on 2016 census

The question we have set ourselves is what schedule of personal taxes would suffice to cover this expenditure in a manner that is clearly both egalitarian and progressive, i.e. that generates a more equal distribution of nett income than the current system, and that ensures that effective tax rates rise as market income rises.

Income Tax

Our model proposes to maintain the same rates of income tax at 20% and 40%, and to maintain the same cut-off point of €34,550. However, we propose to eliminate a number of central tax credits and allowable deductions – most notably, the standard personal and employee tax credits – on the assumption that basic income more than compensates for their removal.

In line with already-proposed changes in Irish pension policy, we also replace current pension reliefs with a new scheme that provides pension relief at an effective 33% rate up to a ceiling of €75,000 Gross Income. We have retained, subject to review, a number of credits and deductions that seem to serve policy purposes other than those met by basic income. Both of these are discussed in more detail in Appendix 4.

Overall, our model adopts a conservative approach to income tax, though we share the view that other public policy objectives may require more significant changes.

UBIC

Our model proposes the set of UBIC rates and bands set out in Table 9. Apart from their main feature, the high rate of UBIC on the first band of income, it also applies smaller increases to other rates, and aligns the higher bands with those for income tax, removing a complication of the current system. We set the ceiling for Band 1 at two times the rate of basic income.

Band	USC	From	To
Band 1	30%	€0	€21,186
Band 2	8%	€21,187	€34,550
Band 3	8%	€34,551	€70,044
Band 4	10%	€70,044	

Table 9. Proposed rates and bands for UBIC

In our proposal, no income is exempt from UBIC except a person’s basic income. We do not take a stand on whether the current 3% surcharge on high non-PAYE income should be retained, but lack of accurate data means that we cannot include it in our model.

This schedule of UBIC rates is the core feature of our model.

PRSI

Our model proposes to leave the 4% employee PRSI rate as it is, together with the current exemptions for people under 16 and over 66 years old. We retain the current exemption from employee PRSI for low-income workers, raising the earnings limit from €352 to €406 per week, equivalent to €21,186 per annum, to align it with the first UBIC band. We align other PRSI bands with the other UBIC bands to reduce complication.

Regarding Employer's PRSI, we note that Ireland's rates are substantially lower than other EU and European countries where the averages for 2018 were 22% and 21% respectively [see Appendix 5]. We share the view of many critics that the Irish rate should be much higher and believe that it would be appropriate for some of this increase to contribute to the funding of basic income. We therefore propose the rates set out in Table 10, leaving room for even higher rates that could contribute to other policy goals. Our proposed bands are aligned with those for USC and Employee PRSI.

Band	Rate	From	To
Band 1	10%	€0	€21,186
Band 2	12.5%	€21,187	€34,550
Band 3	12.5%	€34,551	€70,044
Band 4	15%	€70,044	

Table 10. Proposed rates and bands for Employer's PRSI

In our overall calculations of State income, we assume that 80% of income earners are subject to Employer PRSI and that 20% are exempt because of self-employment or age.

Social Protection

As noted above, the current social protection system provides for a wide array of payments under a wide range of conditions. An indicative list of the benefits that would be largely superseded by basic income is given in Table 11. The word 'largely' is important here, because in many cases the rate paid is more than €203 per week. For example, Maternity Benefit, which is conditional on PRSI contributions, has had a standard rate of €245 per week in 2019, and many benefits include additional premium payments for dependent children.

Our intention is to ensure that a wide range of conditional benefits at the rate of €203 become unconditional, in the form of basic income, but that conditional benefits exceeding this level would continue to be paid. Table 11 shows our understanding of the extent to which existing supports would be superseded by basic income, as well as the additional funding that would need to be continued. A more detailed examination of all State transfers would yield more precise estimates of these figures.

In the transition from the existing system to a basic income system, the most consistent way to support households with children would seem to be a single, income-related scheme that integrated payments now divided between Qualified Child payments and the Working Family Payment. This form of integration is already on the Irish policy agenda (NESC 2020: 87; CTW 2022: 296) but we do not try to model it here, merely assuming that such a scheme could be implemented at roughly the same nett cost as the present one.

Basic income advocates often point out the possibility of additional savings in the administration of the current schedule of social protection schemes. However, basic income will have its own administrative costs, and a number of conditional schemes will continue to operate. For these reasons, we have not been tempted to estimate savings in administrative expenses.

	Expenditure	% substitution	Savings
Pensions	€m		€m
Non-Contributory Pension	1,020.25		
Contributory Pensions	5,216.96		
State Pension (Transition)	0.09		
Surviving Partner Contributory Pension	1,510.41		
Surviving Partner Death Benefit	9.89		
C1: Total Pensions	7,757.60	100%	7,757.60
Working Age Income Support			
Deserted Wife's Allowance	1.19	100%	1.19
Farm Assist	73.82	90%	66.44
Jobseekers Allowance	1,840.75	91%	1,675.08
One Parent Family Payment	511.09	73%	373.10
Surviving Partner Non-Contributory Pension	14.26	100%	14.26
Deserted Wife's Benefit	73.06	100%	73.06
Jobseekers Benefit	339.13	97%	328.96
Maternity Benefit	265.28	83%	220.18
Paternity Benefit	11.84	83%	9.83
Working Age Employment Supports			
Partial Capacity Benefit	18.42	100%	18.42
Illness, Disability and Caring Schemes			
Blind Person	13.31	100%	13.31
Carers' Allowance	795.36	53%	421.54
Disability Allowance	1,586.26	95%	1,506.95
Carers' Benefit	38.64	65%	25.12
Disablement Benefit	76.50	50%	38.25
Illness Benefit	623.30	97%	604.60
Injury Benefit	17.85	80%	14.28
Invalidity Pension	694.21	97%	673.38
Total	14,751.87		13,835.54

Table 11. Social protection payments wholly or partially superseded by basic income, and estimated degree of substitution

On this reckoning, total Social Protection expenditure, excluding basic income, would decline from €19,676m to €5,841m.

Student Grants

Our model also includes the replacement of SUSI maintenance payments, which totalled about €169m in 2018 (Phulphagar and Kane 2020).

Summary of changes

To summarise, our model proposes the following key changes to income tax, USC (redesignated UBIC) and PRSI:

- Remove most tax credits, allowances and exemptions.
- Re-align all income thresholds across all four statutory calculations to provide uniformity in moving from one earning bracket to another.
- Apply a high rate of UBIC on the first income band and somewhat higher rates on other bands.
- Apply higher rates of Employer PRSI on a progressive scale.
- Replace a substantial proportion of Social Protection expenditure, and all student maintenance grants, by basic income payments.

Overall Financial Review of our Model for State Finances

We can now take all of the above measures to provide us with a financial overview of the finances of basic income compared with state finances for 2018. These are set out in Table 12.

2018 State Finances Extract			UBI Model	
	<i>Money In</i>	<i>Money Out</i>	<i>Money In</i>	<i>Money Out</i>
	€m	€m	€m	€m
Income Tax, with credits and allowances	16,235			
Income Tax with no credits and allowances			25,409	
Cost of pension relief				888
Continuation of selected tax reliefs			-1,168	
USC	3,738		19,546	
PRSI (paid to Social Insurance Fund)	11,155		13,220	
Pay-out of UBI to all Adults				39,311
Social Protection Supports		19,676		5,481
SUSI maintenance payments		169		0
Nett State Income	11,452		11,137	

Table 12. Overall financial review of basic income model compared with 2018

To construct this analysis, we have had to make some judgements about both the total and distribution of Gross Income; these are detailed in Appendix 6. Table 12 shows that the overall outcome for nett State income for our basic income model is broadly in line with the actual outcome for 2018, demonstrating its viability.

Overall Financial Review of our Model for Individuals

Distributive Consequences and Effective Tax Rates

We've seen how our model of basic income proposes significant changes income tax, USC/UBIC, PRSI and social protection benefits. But how will these changes affect an individual's nett income, inclusive of their basic income payment? And how would it change effective tax rates? As we said at the outset, our intentions are mildly egalitarian: we want to improve the nett income of those with lower incomes and increase the total tax taken from those on higher incomes, but without doing

anything revolutionary. We also want to ensure that effective tax rates are progressive, so that the rate of effective tax increases with market income.

As we noted at the start, it is not possible to make a direct comparison of our model's nett incomes and effective tax rates with the actual 2018 incomes and rates experienced by individual taxpayers, because the data from Revenue concerns tax cases rather than individuals. We also have no individual-level data concerning tax credits and reliefs. All we are in a position to compare is how the nett income and effective tax rate of an individual under our model would compare with their nett income and effective tax rate at 2018 tax rates, using the normal tax credit for employees of €3,300, the standard-rate cut-off point of €34,550, and the most common PRSI class, Class A. Table 13 sets out this comparison for a range of Gross Incomes; a more extensive table is provided in Appendix 7.

Gross Income	Nett Income			Effective Tax Rate		
	2018 Rates	Basic Income Model	Difference	2018 Rates	Basic Income Model	Difference
€	€	€	€			
10,000	10,000	15,593	+5,593	0.00%	-55.93%	-55.93%
20,000	18,263	20,593	+2,330	8.69%	-2.97%	-11.65%
30,000	25,388	26,332	+944	15.37%	12.23%	-3.15%
40,000	31,413	32,042	+629	21.47%	19.89%	-1.57%
50,000	36,538	36,842	+304	26.92%	26.32%	-0.61%
60,000	41,663	41,642	-21	30.56%	30.60%	+0.03%
70,000	46,788	46,442	-346	33.16%	33.65%	+0.49%
80,000	51,589	51,043	-546	35.51%	36.20%	+0.68%
90,000	56,389	55,643	-746	37.35%	38.17%	+0.83%
100,000	61,189	60,243	-946	38.81%	39.76%	+0.95%
150,000	85,189	83,243	-1,946	43.21%	44.50%	+1.30%
200,000	109,189	106,243	-2,946	45.41%	46.88%	+1.47%
250,000	133,189	129,243	-3,946	46.72%	48.30%	+1.58%
300,000	157,189	152,243	-4,946	47.60%	49.25%	+1.65%

Table 13. Nett incomes and effective aggregate tax rates for individuals at selected levels of Gross Income under 2018 arrangements and our basic income model. Nett figures for 2018 are calculated based on standard tax credit of €3,300, Standard-Rate Cut-Off Point of €34,550, standard USC rates and PRSI at Class A.

Table 13 shows that employees earning €20,000 would be €2,330 better off in nett pay under our basic income model; their effective tax rate changes from plus 8% to minus 3%. In fact, everyone earning up to about €60,000 would be better off in nett pay terms under our basic income model: according to Revenue, this accounts for over 2.7m of Ireland's 3.1m income earners. Those with higher incomes would see their nett incomes decrease, and would pay higher aggregate taxes. But the rise effective tax rates - e.g. +1.65% for earnings of €300,000 - would hardly be revolutionary. Since the present exercise excludes the impact of changes in pension relief, it is likely that the tipping point between gainers and losers would be somewhat lower, and that the increase in effective tax rates for higher incomes would be greater.

These results are expressed graphically in Figures 1, 2, and 3.

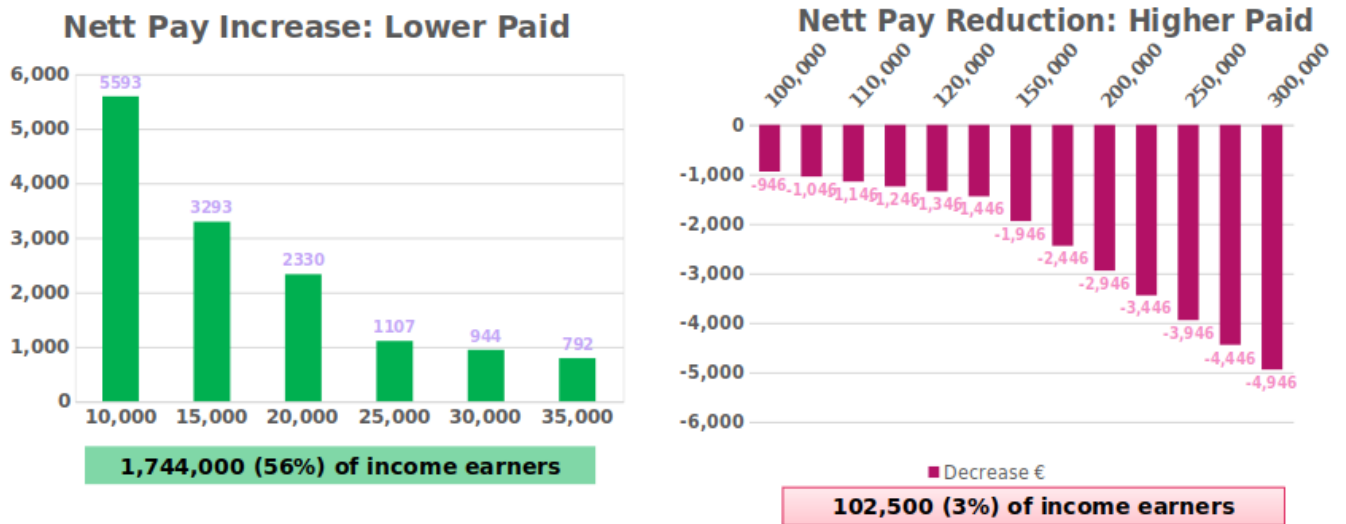


Figure 1. Net gains and losses for lowest half of income earners and highest 3%.

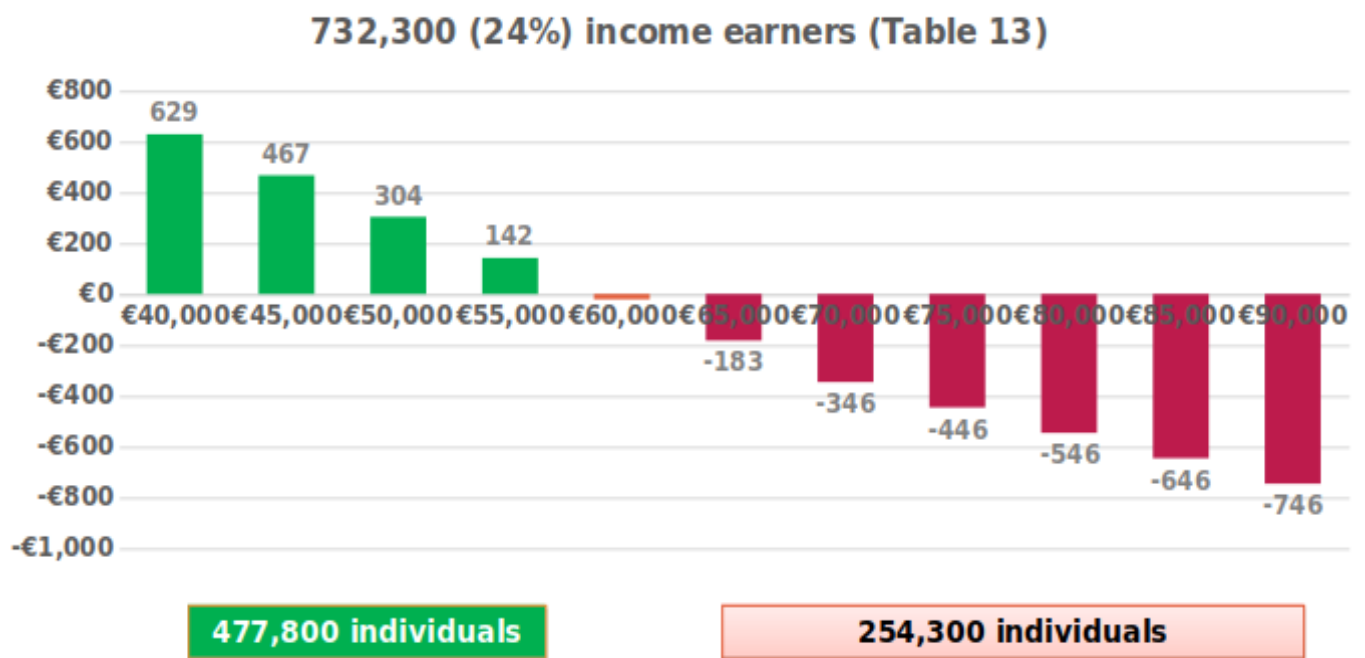


Figure 2. Nett gains and losses for upper-middle income earners.

Effective Rates of Tax (See Table 13 and Appendix 7)

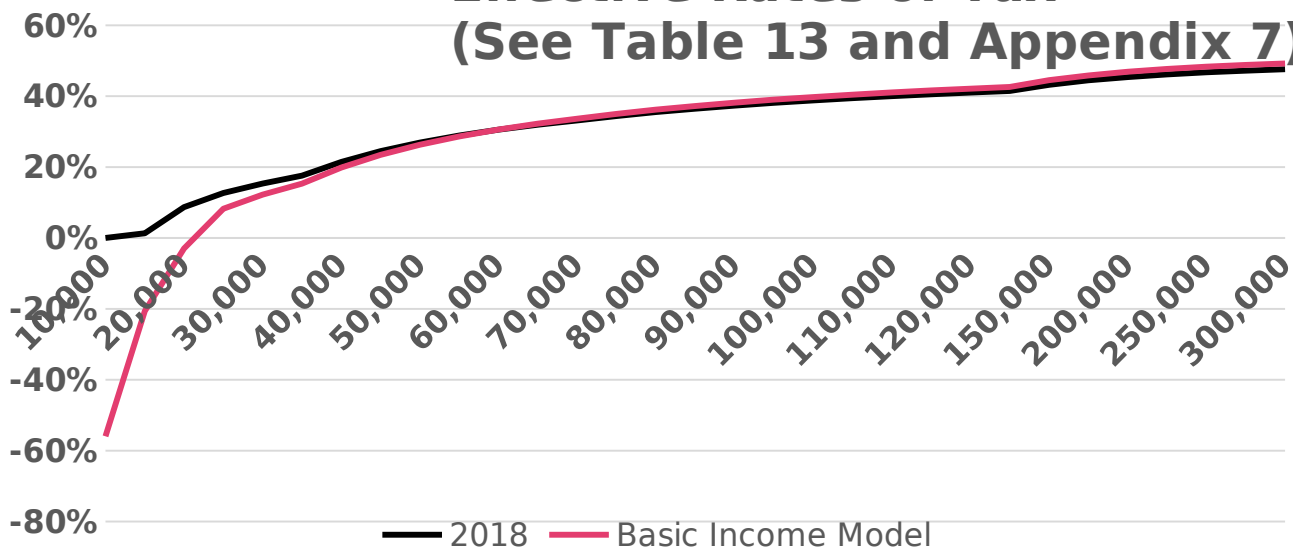


Figure 3. Proposed effective tax rates.

Overall, these figures provide strong evidence that our proposal would lead to a significantly more egalitarian distribution of net income than the current system, and that the tax system would be clearly progressive, with effective tax rates rising as market income rises; indeed, the effective tax rate is below zero until Gross Income is twice the level of basic income. The model therefore meets the two normative objectives we set out at the start of this paper.

Aggregate Marginal Tax Rates

By streamlining and standardising the various income thresholds over the three deductions from Gross Income, our model ends up with the aggregate marginal rates of tax set out in Table 14 and Figure 4. The profile of aggregate marginal tax rates is V-shaped, in the sense that the rate is higher for the first band of income than for the second, after which it rises again.

Gross Income Bands	IT	UBIC	PRSI	Aggregate Marginal Rate
Individuals with Gross Income under €21,186	20%	30%	0%	50%
<i>Individuals with Gross Income over €21,186</i>				
€0 to €21,186	20%	30%	4%	54%
€21,186 to €34,500	20%	8%	4%	32%
€34,500 to €70,044	40%	8%	4%	52%
Over €70,044	40%	10%	4%	54%

Table 14. Proposed aggregate marginal tax rates for different income bands, and their components

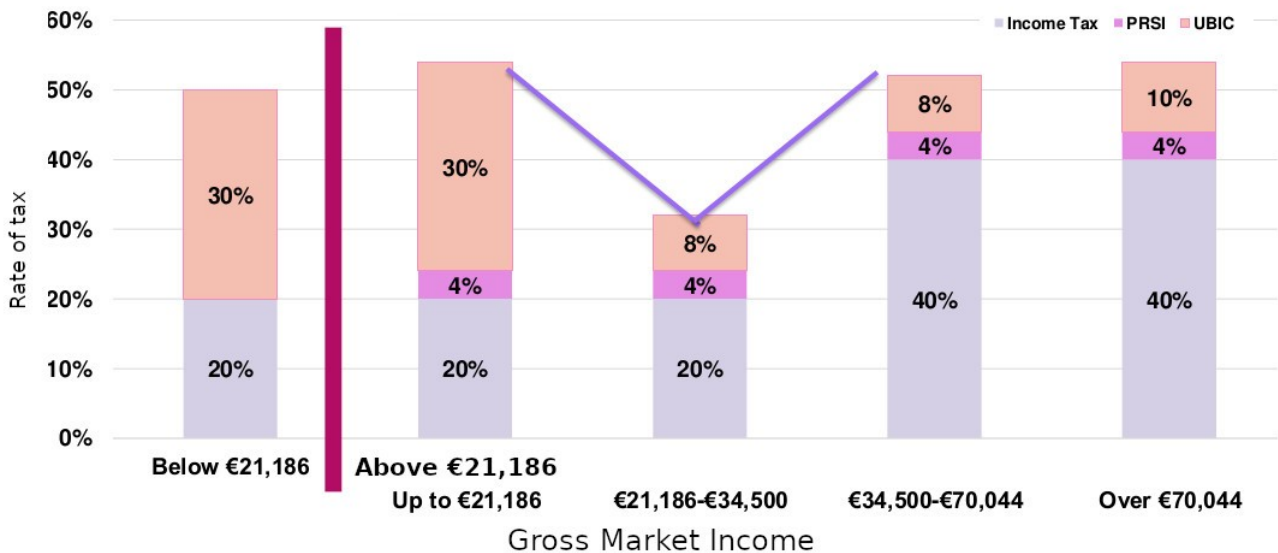


Figure 4. Proposed aggregate marginal tax rates for different market income bands.

Is the high marginal rate for income up to €21,186 objectionable? The two main objections that might be raised are that it is *unfair* to have higher rates on lower incomes and that these rates create undesirable *disincentives*. To address these objections, we have to place them in the context of a tax-free, universal and unconditional basic income payment of €10,593, and to distinguish between gross incomes below and above the high-tax threshold. For people with gross incomes above the threshold, the high rate of tax on their 'first' €21,186 is irrelevant, as the marginal tax they face - the tax on their 'next' amount of income - is only 32% in the middle band of income, rising to 54% for high incomes. For this group, the high tax rate, particularly the high USC rate, on the first band of income is a way of recouping basic income rather than extracting tax for public expenditure.

The key issue is whether it is unfair or disincentivising to tax gross incomes below the threshold at 50%. As Table 13 indicates, people with incomes below the threshold would receive more in basic income than they pay in tax, and would have a nett income that is higher than under the current system. So it seems hard to argue that the *results* of our model are unfair - or to put it more precisely, more unfair than the present system. As egalitarians, we believe that a much more equal distribution of nett income would be fairer still, but as we said at the outset, our aim in this paper is more limited.

What about the disincentive effect? We are not experts on labour supply, but the standard view, we presume, is that an increase in the marginal tax rate for people with low incomes would lead, other things equal, to a reduced supply of labour. Is that a bad thing? Here we encounter a much wider set of issues that have been explored by the basic income movement for decades, concerning both why people take up employment and how basic income gives them more freedom to resist exploitation. If a viable basic income system means that people with low incomes could preserve or improve their nett incomes while working fewer hours, that seems to us a good thing. And of course, the change in marginal tax rates would have dynamic effects that would to some extent counteract disincentives.

It is also important to remember the point we made earlier that in the existing social protection system, unemployed people who take up paid work face benefit-withdrawal rules equivalent to marginal tax rates much higher than 50%. A number of complicated provisions have been put in place to help ameliorate this problem, and a full implementation of our model might well have to incorporate some of these. But the overall structure of a basic income system is much more straightforward than the complex fixes that are needed to patch up the flawed design of current arrangements.

One of the other objections that is often raised against basic income is that it would act as a wage subsidy, allowing employers to pay lower gross wages; basic income would thereby ultimately function to increase profits at the expense of the State. We cannot address this objection fully here, but we would point out that the relatively high rate of taxation on the first tranche of income operates as a brake on any such tendency, since the gross wages employers would need to pay to attract workers would remain similar to, or even higher than, those they pay in the current system.

We can tentatively conclude that this model of basic income has a more egalitarian outcome than the existing system, without applying marginal rates of tax significantly higher than the 2018 rates. In 2018, non-employees with incomes above €100,000 faced a marginal rate of 55%, while employees with incomes above €70,044 faced a marginal rate of 52%. These are not dissimilar to what we propose in our model, where the highest aggregate marginal rate is 54%. The key factor in achieving this result is the high marginal tax rate on the first band of income, which is more than compensated for by an annual basic income of €10,593.

Implementation

One of the virtues of our proposed basic income model is that it retains the existing structures of social protection and the collection of income taxes, with the division of all tax receipts going to the Exchequer and the Social Insurance Fund. This means that it could be implemented with relatively few institutional changes.

We suggest that every individual entitled to basic income would be able to choose whether they wished to receive their basic income payment in the form of a regular payment directly from Revenue or in the form of a tax credit as processed by their employer, with the latter as the default arrangement. Revenue's introduction of PAYE Modernisation in 2019 means that employers are in constant online communication with Revenue, providing details of all payroll payments and deductions, together with downloading automatically any changes to the employee's tax status. The receipt of basic income by an income earner could be achieved by Revenue advising employers of a refundable Basic Income Tax Credit and the employer paying that to the employee, with employers recouping that sum from the total income tax, UBIC and PRSI they collect and pay to Revenue. This form of refundable tax credit would amount to a very minor adjustment to the payroll systems used by employers. For employees, it would have the benefit that they would continue to receive their nett income (inclusive of basic income) from one source, and would get a clearer picture of the combined effect of tax and basic income. Figure 5 sets out sample payslips under both the existing and proposed procedures for a middle-income employee. Nonetheless, each individual could choose to instruct Revenue to pay their basic income directly into their bank account, and this would of course be the procedure for unemployed people. The Department of Social Protection would continue to be responsible for those social protection payments not superseded by basic income.

Old Payslip for Week 1	07/01/2018	New Payslip for Week 1	07/01/2018
Salary	691.74	Salary	691.74
PAYE Tax	80.34	PAYE Tax	143.81
PRSI Employee	27.67	PRSI Employee	27.67
<i>PRSI Employer</i>	75.05	<i>PRSI Employer</i>	86.47
USC	19.15	UBIC	144.98
		UBI Payment	203.00
Nett Pay	564.58	Nett Pay	578.28

Figure 5. Sample payslips for median earner in existing and proposed systems

A Higher Level of Basic Income

As noted earlier, many advocates of basic income call for a higher rate of payment than the level of existing social protection benefits. Although we describe our rate of €203 per week (based on the most common social protection payments in 2019) as being a ‘nearly-adequate’ basic income, we hope that this is merely the first step to providing a more adequate level of payment, closer to the Minimum Essential Standard of Living recommended by the Vincentian Partnership for Social Justice, which in 2019 was about €250 per week for a single adult, or about €13,000 per year (Vincentian Partnership for Social Justice 2021). In this section, we sketch how our model might be adapted to support this level of basic income.

In broad terms, the total cost of basic income would increase by about €7bn. We calculate that this could be achieved along the lines of our model by the following changes:

- Continue to define the threshold on the first tax band as twice the annual basic income, thereby raising it to about €26,000. This would generate an additional €2bn in additional revenue.
- Add 5% to each UBIC rate, applied on all Gross Income. This would generate about €5bn in additional revenue.

The resulting schedule of effective tax rates would continue to be progressive. The tipping point in the distribution of income between people who gain or lose relative to 2018 would fall to about €40,000, which is closer to median income in Ireland.

Of course, this is only one, simple change in the model, which allows for endless tweaks. And raising marginal tax rates by 5% would be a significant change. Nonetheless, it may be surprising to

some that the payment of a basic income payment of €250 per week could be achieved with marginal tax rates below 60%. This model involves a top marginal rate of 59%, which is far from astronomical.

Concluding Remarks

The detailed presentation of our model demonstrates that it is progressive in structure and egalitarian in impact. The *effective* tax rates involved are not only progressive but are also quite modest. Even the *marginal* tax rates necessary to provide most of the funding for a nearly-adequate basic income are moderate, with substantial room for the higher rates of income tax and Employer's PRSI that many of us consider essential for funding good public services and that are taken for granted in many other jurisdictions. The key element is to separate out the central funding mechanism of UBIC and to accept that a relatively high rate on the first tranche of income is a reasonable approach. What the comparison between existing social protection rates and rates based on the VPSJ's minimum income standards also shows is that an adequate basic income could be funded by increasing UBIC by 5% across all incomes, with the highest marginal tax rates rising from 54% to 59%. Although these rates are high by Irish standards, they are not outrageous.

The essential political point of our proposal is to employ a distinct stream of taxation as an identifiable way of partially funding basic income. Our proposal does this in a modest way, accounting for only half of the total cost of basic income, but as we have noted above, the contribution that other taxes make to the cost of basic income (about €19 bn; see Table 12 above) is equivalent to taxes and credits that already operate in the current system, and that basic income would supersede.

Our proposal is specifically designed to make use of existing features of the Irish tax system, and so may not be easy to extend to other systems. We nevertheless suggest that the same approach might be worth exploring in other jurisdictions.

Although we have shown that our proposal is egalitarian in impact, we have not been in a position to provide a detailed analysis of how it would affect every type of household. So the full distributive impact has yet to be determined, and the model adapted to cope with unexpected results.

There are, of course, endless variations on this theme, and we will continue to explore them. The two central features of the model are the important points, namely the identification of a distinct funding stream for basic income, and the use of a V-shaped marginal tax profile.

Finally, nothing we have said should be construed as a commitment to securing all of the extra funding for basic income from taxes on personal income. Our intentions are more modest: to show that *if* we wanted to fund basic income from such taxes, it could be done, using the existing tax architecture, in an egalitarian, progressive, economically feasible and politically intelligible way.

Appendix 1. Revenue Tax Receipts, 2018 and 2019

Sources: Revenue 2019a, pp. 79-84; Revenue 2020a, pp. 85-90.

Revenue Net Tax Receipts		2018	2019
		€bn	€bn
	Income Tax including USC	20.0	21.6
	Other income taxes *	1.3	1.3
	VAT	14.2	15.1
	Corporation Tax	10.4	10.9
	Excise Duty	5.4	5.9
	Stamp Duty	1.5	1.5
	Capital Gains Tax	1.0	1.1
	Capital Acquisitions Tax	0.5	0.5
	Customs	0.3	0.3
	Total Tax	54.6	58.2
	Income Tax/USC as a percentage of Total	37%	37%
Revenue Collections for Other Agencies			
	PRSI	11.2	12.2
	LPT	0.5	0.5
	VAT MOSS	1.4	2.0
	Others	1.0	1.1
	Total Collections	14.1	15.8
	Total Tax and Collections	68.7	74.1
	IT/USC/PRSI Sub-Total	31.2	33.9
	Percentage of Total Tax and Collections	45%	46%

* Other income taxes include:

- Professional Services Withholding Tax
- Dividend Withholding Tax
- Life Assurance Exit Tax
- Deposit Interest Retention Tax

Appendix 2. Tax Expenditures (credits, allowances, reliefs), 2018

Source: Revenue 2020b.

Tax Provision	Heading	€m
Additional Bereavement Credit to Widowed Parent or Surviving Civil Partner	IT	4.90
Age Credit	IT	77.50
Allowable Expenses	IT	115.40
Allowance for seafarers	IT	0.30
Approved Profit Sharing Schemes	IT	55.20
Approved Save as You Earn Schemes (SAYE)	IT	1.30
Approved Training Courses/Third Level Education Fees	IT	17.20
Blind Person's or Civil Partners Credit (incl. Guide Dog Allowance)	IT	2.30
Contributions Under Permanent Health Benefit Schemes, after Deduction of Tax on Benefits Received	IT	4.30
Dependent Relative Credit	IT	2.70
Dispositions (Including Maintenance Payments made to Separated Spouses)	IT	16.60
Earned Income Credit	IT	261.20
Employee (PAYE) Credit	IT	3,587.60
Employees' Contributions To Approved Superannuation Schemes	IT	677.70
Employing a Carer	IT	6.60
Employment and Investment Incentive (EII)	IT	14.50
Exempt Income Foster Care Payments	IT	26.40
Exempt Income RentaRoom	IT	19.70
Exemption for Veterans of the War of Independence, their Widows or Dependents	IT	
Exemption From Tax of Certain social protection Payments: Child benefit	IT	408.60
Exemption of Certain Earnings of Writers, Composers and Artists	IT	10.00
Exemption of employers' contributions from employee BIK	IT	658.30
Exemption of Income arising from the Provision of Childcare Services	IT	1.60
Exemption of Interest on Savings Certificates, National Instalment Saving & Index Linked Savings Bonds	IT	103.00
Exemption of Irish Government Securities Where Owner Not Ordinarily Resident in Ireland	IT	466.40
Exemption of Statutory Redundancy Payments	IT	5.10
Fisher Tax Credit	IT	1.00
Foreign Earnings Deduction (FED)	IT	5.40

Health Expenses (Excluding Nursing Homes)	IT	155.50
Health Expenses (Nursing Homes Only)	IT	34.70
Home Renovation Incentive Scheme	IT	30.90
Homecarer Credit	IT	90.00
Incapacitated Child Tax Credit	IT	92.70
Interest Relief on a Loan applied in acquiring an interest or share in a partnership	IT	0.04
Married or a Civil Partners Person's Credit	IT	2,549.30
Medical Insurance Relief	IT	355.70
Mortgage Interest Relief relating to Principal Private Residence	IT	107.30
Pension Contribution (Retirement Annuity and PRSA)	IT	241.30
Relief for expenditure on significant buildings and gardens	IT	1.90
Relief for New Shares Purchased by Employee	IT	N/A
Rent Tax Credit	IT	N/A
Rental Deduction for Leasing of Farm Land	IT	27.20
Rented Residential Relief Section 23	IT	N/A
Retirement Relief for certain Sports Persons	IT	0.30
Revenue Job Assist allowance	IT	0.00
Service Charges	IT	N/A
Single Person Child Carer Tax Credit	IT	99.10
Single Person's Credit	IT	2,211.90
Special Assignee Relief Programme (SARP)	IT	42.40
Special Savings Incentive Scheme	IT	N/A
Start your Own Business Relief (Section 472AA)	IT	14.20
StartUp Refunds for Entrepreneurs (SURE)	IT	0.80
Stock Relief (for Registered Farm Partnerships) (S667C)	IT	0.30
Stock Relief (for Young Trained Farmers) (S667B)	IT	1.20
Stock Relief (General) (S666)	IT	4.90
Succession Farm Partnerships S667D	IT	0.60
Widowed Person or Surviving Civil Partner Credit	IT	161.40
Capital Allowances Used (Total) * (8)	IT,CT	9,465.70
Capital Allowances Used (Energy Efficient Capital Allowance only)	IT,CT	3.70
Donations to Approved Sporting Bodies	IT,CT	0.30
Donations to Charities and Approved Bodies'	IT,CT	43.50
Double Taxation Relief (includes Additional Foreign Credit)	IT,CT	2,287.00

Employee Share Ownership Trusts *	IT,CT	0.10
Investment in Films *	IT,CT	25.00
Losses (including Capital Allowances brought forward from earlier years)	IT,CT	1,886.70

Appendix 3. Social Protection Expenditure, 2018

Source: Department of Employment Affairs and Social Protection 2020.

Category	Expenditure €m
Pensions	
Non-Contributory Pension	1,020.25
Contributory Pensions	5,216.96
State Pension (Transition)	0.09
Surviving Partner Contributory Pension	1,510.41
Surviving Partner Death Benefit	9.89
C1: Total Pensions	7,757.60
Working Age Income Support	
Basic Supplementary Welfare Allowance	111.82
Daily Expenses Allowance	6.36
Deserted Wife's Allowance	1.19
Farm Assist	73.82
Jobseekers Allowance	1,840.75
One Parent Family Payment	511.09
Other Exceptional and Urgent Needs	42.30
Other Humanitarian Aid	0.72
Other Supplementary	7.65
Pre-Retirement Allowance	0.51
Surviving Partner Non-Contributory Pension	14.26
Social Assistance sub-total	2,610.47
Adoptive Benefit	0.19
Deserted Wife's Benefit	73.06
Health & Safety Benefit	0.37
Jobseekers Benefit	339.13
Maternity Benefit	265.28
Paternity Benefit	11.84
Redundancy & Insolvency	24.19
Treatment: Dental Benefits	50.58
Treatment: Medical and Surgical	12.40
Treatment: Optical	34.66
Social Insurance sub-total	811.70

D1: Total Working Age Income Supports	3,422.17

Working Age Employment Supports	
Back to Education Allowance	78.69
Back to Work Enterprise Allowance	90.47
Community Employment Programme	353.07
Gateway	0.21
Job Initiative	17.75
JobPlus	22.75
Rural Social Scheme	50.03
TÚS	105.98
Wage Subsidy Scheme	22.32
Youth Employment Support Scheme	0.03
Other Working Age Employment Supports	47.75
Social Assistance sub-total	789.05
Partial Capacity Benefit	18.42
Social Insurance sub-total	18.42
E1: Working Age Employment Supports	807.47
Illness, Disability and Caring Schemes	
Blind Person	13.31
Carers' Allowance	795.36
Disability Allowance	1,586.26
Domiciliary Care Allowance	168.42
Carers' Support Grant	203.96
Social Assistance sub-total	2,767.31
Carers' Benefit	38.64
Disablement Benefit	76.50
Illness Benefit	623.30
Injury Benefit	17.85
Invalidity Pension	694.21
Medical Care Scheme	0.23

Social Insurance sub-total	1,450.73
F1: Illness, Disability and Caring	4,218.04
Child-Related Payments	
Back-to-School Clothing and Footwear	47.40
Back-to-Work Family Dividend	21.04
Child Benefit	2,097.96
Working Family Payment/Family Income Supplement	410.55
Guardian's Payment (Non-Contributory)	7.28
School Meals Programme	49.16
Surviving Partner Grant (Non-Contributory)	0.22
Social Assistance sub-total	2,633.61
Guardian's Payment (Contributory)	14.77
Surviving Partner Grant (Contributory)	5.39
Social Insurance sub-total	20.16
G1: Child-Related Payments	2,653.77
Supplementary Payments & Miscellaneous	
Free Travel	86.81
Fuel Allowance (Social Assistance)	152.67
Grant to Citizens Information Board	54.78
Household Benefits: Electricity	62.09
Household Benefits: Free TV licence	19.84
Household Benefits: Gas	5.23
Household Benefits: Telephone Support	4.57
Miscellaneous Services	11.82
Rent Allowance (de-control of rents)	0.41
Rent Supplement	175.02
Low Pay Commission	0.40
Social Assistance sub-total	573.64
Fuel Allowance (Social Insurance)	87.53
Household Benefits: Electricity	100.68
Household Benefits: Free TV licence	35.16
Household Benefits: Gas	14.84
Household Benefits: Telephone Support	5.10

Social Insurance sub-total	243.31
H1: Supplementary Payments and Miscellaneous	816.95
Administration	751.02
Total	20,427.02
Total Expenditure on Supports	19,676.00

Appendix 4. Tax Reliefs in Basic Income Model

Pension Relief

Currently, for most income earners, contributions to an approved pension scheme are the most efficient way to build up their pension fund in a tax efficient manner. Relief is available at the individual's marginal rate of income tax. For most individuals earning over the income tax SRCOP of €34,550, that means relief of 40%. For individuals earning below their SRCOP of €34,550, the relief is at 20%. Many high earners contribute the maximum allowed to their pension fund in order to minimise their income tax calculation.

The Department of Social Protection's Automatic Enrolment (AE) proposal in 2018 (Department of Employment Affairs and Social Protection 2018) offers a means of proposing one possible alternative to this skewed pension relief and allows us to calculate and provide for the approximate cost of this alternative relief. In brief, the AE proposal is:

- The State will contribute 2% of the individual's Gross Income to their pension fund, subject to the employee contributing 6% (and the employer matching that 6% contribution).
- All contributions are subject to an income ceiling of €75,000, thereby limiting the cost to the State to €1,500 per individual.

This AE proposal equates to tax relief of 33% for all income earners, up to this maximum. Whilst this proposal has not yet been progressed by the Department of Social Protection, our model calculates the likely State cost of this pension relief. It does so on the basis of estimating the likely engagement rate of individuals across the following income groups:

	Engagement Rate
Individuals with income up to €25,000	20%
Individuals with income between €25,000 and €50,000	40%
Individuals with income above €50,000	80%

The calculated total State contribution to this scheme is €888m. This compares with the reported actual cost of pension relief in 2018 of €919m [see Appendix 3].

Other reliefs

The introduction of basic income offers the State an opportunity to review each one of the existing provisions, many of which are designed to support people in ways that basic income would more

than compensate for. However, based on an initial review of the extensive schedule of tax reliefs, we tentatively believe that a number of these might still be justified. This initial selection of possible candidates for carry-over generates a cost of €1,168m.

Tax Provision	€m
Additional Bereavement Credit to Widowed Parent or Surviving Civil Partner	4.90
Allowable Expenses	115.40
Approved Profit Sharing Schemes	55.20
Approved Training Courses/Third Level Education Fees	17.20
Blind Person's or Civil Partners Credit (incl. Guide Dog Allowance)	2.30
Contributions Under Permanent Health Benefit Schemes, after Deduction of Tax on Benefits Received	4.30
Dispositions (Including Maintenance Payments made to Separated Spouses)	16.60
Employing a Carer	6.60
Exempt Income Foster Care Payments	26.40
Employment and Investment Incentive (EII)	14.50
Exempt Income RentaRoom	19.70
Exemption of Interest on Savings Certificates, National Instalment Saving & Index Linked Savings Bonds	103.00
Exemption of Statutory Redundancy Payments	5.10
Health Expenses (Excluding Nursing Homes)	155.50
Health Expenses (Nursing Homes Only)	34.70
Home Renovation Incentive Scheme	30.90
Incapacitated Child Tax Credit	92.70
Medical Insurance Relief	355.70
Mortgage Interest Relief relating to Principal Private Residence	107.30
Single Person Child Carer Tax Credit	99.10
Total	1,168.00

Appendix 5. Rates of Social Security (Employer) Tax Rates in Selected Countries

Source: KPMG 2021.

	2018	2019	2020	2021
	%	%	%	%
Europe Average	20.83	19.97	20.07	20.00
EU Average	22.38	21.28	21.47	21.29
Belgium	27.50	27.50	27.50	25.00
Denmark	Set at DKK10,000-12,000 per employee (€1,345 - €1,614)			
France	45.00	45.00	45.00	45.00
Germany	19.38	19.83	19.88	19.98
Greece	25.06	25.06	24.81	22.54
Hungary	17.00	17.00	17.00	17.00
Ireland	10.85	10.95	11.05	11.05
Italy	30.00	30.00	30.00	30.00
Luxembourg	15.01	15.15	14.99	15.17
Netherlands	19.00	19.80	23.19	23.59
Norway	14.10	14.10	14.10	14.10
Poland	21.00	21.00	22.14	22.14
Portugal	23.75	23.75	23.75	23.75
Spain	29.90	29.90	29.90	29.90
Sweden	31.42	31.42	31.42	31.42
UK	13.80	13.80	13.80	13.80
USA	7.65	7.65	7.65	7.65

Appendix 6. What is Gross Income?

Sources: Revenue 2019b, Revenue 2020c, Revenue 2021a.

Revenue's statistical reports include the following data and definitions for 2018:

Gross income of €105,491m: *“Gross Income” is income before adjustments are made in respect of capital allowances, interest paid, losses, allowable expenses or retirement annuities but after deduction of superannuation contributions by employees. Gross Income includes certain income belonging to individuals whose total income is below the exemption limits. It does not include any income which is not income for tax purposes or is exempt from tax.*

Taxable Income of €99,978: *“Taxable Income” is that part of income on which tax is actually calculated. It is thus the total income of taxpayers, less personal reliefs and other deductions but prior to the application of tax credits and reliefs at the standard rate (which are given by way of a reduction of tax chargeable).*

USC Income of €95,741m: *“USC Income” is the income liable to the Universal Social Charge (USC). It includes total taxed and untaxed Irish income, foreign income, benefits-in-kind, income from rental, dividends, fees, artist exemption income and profit or gains from woodlands. It does not include maintenance payments, deeds of covenant and motor capital allowances.*

Our model proposes that income tax, USC and PRSI are all calculated in a more transparent and uniform manner. Equally, we aim to limit the extent to which those on the highest levels of income would benefit from tax reliefs and allowances (see Appendix 4). We acknowledge the need to maintain current capital allowances, interest paid, losses and limited allowable expenses, but we aim to have all statutory deductions calculated on a gross pay that is more closely aligned to the USC Income definition above.

Because our basic income payment substitutes many existing social protection payments, and because we want our income figure to be before the deduction of pension contributions by employees, we choose to base our model on the USC Income as reported above. However, Revenue's total of €95,741m excludes income for all individuals whose income is below the USC exemption threshold of €13,000. Therefore, we have modified Revenue's USC Income total by adding back in estimated figures for those income bands.

For the purposes of our model, this results in an estimated total USC Income of €98,377m, and this is the revised total income on which we calculate the revised totals of income tax, USC and PRSI.

The Revenue data on Gross Income of €105,491m are broken down by 3,094,387 individuals within the various income bands. But our model uses the lower adjusted USC Income figure of €98,377m, a reduction of €7,114m or 6.74%. Therefore, we reduce all income levels in the individualised table by 6.74% to arrive at our base data on which we carry out our model's revised income tax, USC and PRSI calculations for each income band.

It is worth noting in passing that employer contributions to employees' pension funds are not included in any of Revenue's three definitions or corresponding data. A fairer tax system would treat these contributions as personal income and apply the same rules to them as other pension contributions. Approximately €2bn was paid in such contributions in 2019 (Revenue 2020c). We do not include these in our current calculations. Nor do we include any change in the status of many other payments that are currently non-taxable.

The income bands and USC Income breakdown, as adjusted, is processed as follows:

Income Band	Individuals	Gross Income	Adjusted USC Gross
		€m	€m
0 - 10,000	515,554	2,522.08	2,351.99
10,000 - 12,000	144,801	1,590.98	1,483.68
12,000 - 15,000	211,187	2,839.46	2,647.96
15,000 - 17,000	126,397	2,021.78	1,885.43
17,000 - 20,000	189,048	3,499.37	3,263.37
20,000 - 25,000	306,182	6,887.94	6,423.41
25,000 - 27,000	119,199	3,097.61	2,888.70
27,000 - 30,000	167,044	4,759.85	4,438.84
30,000 - 35,000	259,895	8,439.37	7,870.21
35,000 - 40,000	220,261	8,230.39	7,675.33
40,000 - 50,000	293,408	13,081.51	12,199.28
50,000 - 60,000	184,369	10,066.90	9,387.98
60,000 - 70,000	111,073	7,172.69	6,688.96
70,000 - 75,000	39,409	2,854.75	2,662.22
75,000 - 80,000	30,988	2,398.93	2,237.14
80,000 - 90,000	43,599	3,689.88	3,441.03
90,000 - 100,000	29,455	2,789.66	2,601.52
100,000 - 150,000	61,054	7,286.82	6,795.39
150,000 - 200,000	18,743	3,207.91	2,991.57
200,000 - 275,000	11,021	2,547.49	2,375.69
Over - 275,000	11,700	6,506.03	6,067.26
Totals	3,094,387	105,491.40	98,376.97

We hope that Revenue's reports for 2019 and subsequent years will provide additional detail, and in particular, the individualised figures of Gross Income after Capital Allowances and before employee pension contributions and salary sacrifice deductions. More detailed reporting on employer pension contributions would also help research and discussion.

Appendix 7. Comparison of Nett Pay Calculations under 2018 Rates and BI Model

Income	Nett Pay			Effective Tax Rate		
	2018 Rates	BI Model Nett	Difference	2018 Rates	BI Model	Change
	€	€	€	%	%	flip signs %
10,000	10,000	15,593	+5,593	0.00%	-55.93%	55.93%
15,000	14,800	18,093	+3,293	1.33%	-20.62%	21.95%
20,000	18,263	20,593	+2,330	8.69%	-2.97%	11.65%
25,000	21,825	22,932	+1,107	12.70%	8.27%	4.43%
30,000	25,388	26,332	+944	15.37%	12.23%	3.15%
35,000	28,850	29,642	+792	17.57%	15.31%	2.26%
40,000	31,413	32,042	+629	21.47%	19.89%	1.57%
45,000	33,975	34,442	+467	24.50%	23.46%	1.04%
50,000	36,538	36,842	+304	26.92%	26.32%	0.61%
55,000	39,100	39,242	+142	28.91%	28.65%	0.26%
60,000	41,663	41,642	-21	30.56%	30.60%	-0.03%
65,000	44,225	44,042	-183	31.96%	32.24%	-0.28%
70,000	46,788	46,442	-346	33.16%	33.65%	-0.49%
75,000	49,189	48,743	-446	34.41%	35.01%	-0.59%
80,000	51,589	51,043	-546	35.51%	36.20%	-0.68%
85,000	53,989	53,343	-646	36.48%	37.24%	-0.76%
90,000	56,389	55,643	-746	37.35%	38.17%	-0.83%
95,000	58,789	57,943	-846	38.12%	39.01%	-0.89%
100,000	61,189	60,243	-946	38.81%	39.76%	-0.95%
105,000	63,589	62,543	-1,046	39.44%	40.44%	-1.00%
110,000	65,989	64,843	-1,146	40.01%	41.05%	-1.04%
115,000	68,389	67,143	-1,246	40.53%	41.61%	-1.08%
120,000	70,789	69,443	-1,346	41.01%	42.13%	-1.12%
125,000	73,189	71,743	-1,446	41.45%	42.61%	-1.16%
150,000	85,189	83,243	-1,946	43.21%	44.50%	-1.30%
175,000	97,189	94,743	-2,446	44.46%	45.86%	-1.40%
200,000	109,189	106,243	-2,946	45.41%	46.88%	-1.47%
225,000	121,189	117,743	-3,446	46.14%	47.67%	-1.53%
250,000	133,189	129,243	-3,946	46.72%	48.30%	-1.58%
275,000	145,189	140,743	-4,446	47.20%	48.82%	-1.62%
300,000	157,189	152,243	-4,946	47.60%	49.25%	-1.65%

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