



COMMISSION ON TAXATION
AN COIMISIÚN UM CHÁNACHAS

ANNEXES



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Annex 1:

Terms of Reference

The terms of reference for the Commission are:

Having regard to the commitments on economic competitiveness and on taxation contained in the Programme for Government, in particular, the commitments:

- To keep the overall tax burden low and implement further changes to enhance the rewards of work while increasing the fairness of the tax system
- To ensure that our regulatory framework remains flexible, proportionate and up to date
- To introduce measures to further lower carbon emissions and to phase in on a revenue neutral basis appropriate fiscal measures including a carbon levy over the lifetime of the Government, and
- The guarantee that the 12.5% rate of corporation tax will remain

The Commission is invited, in the context of maintaining an equitable incidence of taxation and a strong economy, to consider the structure of the taxation system and specifically to:

- Consider how best the tax system can support economic activity and promote increased employment and prosperity while providing the resources necessary to meet the cost of public services and other Government outlays in the medium and longer term
- Consider how best the tax system can encourage long term savings to meet the needs of retirement
- Examine the balance achieved between taxes collected on income, capital and spending
- Review all tax expenditures with a view to assessing the economic and social benefits they deliver and to recommend the discontinuation of those that are unjustifiable on cost/benefit grounds
- Consider options for the future financing of local government, and
- Investigate fiscal measures to protect and enhance the environment including the introduction of a carbon tax

As the introduction of a carbon tax requires a completely new tax charge and structure, the Commission is asked to commence work in this area immediately. The Commission is requested to report on the results of its examination and consideration and to make such recommendations as, and when, it thinks fit to the Minister for Finance but not later than 30th September 2009.

Annex 2:

Letter to the Chairman from Brendan Hayes

Mr. Frank Daly
Chair
The Commission on Taxation
Le Pole House,
Ship Street Great,
Dublin 8,
Ireland
10th August 2009

Re:-The Report of the Commission on Taxation

Dear Mr Daly,

When I accepted the then Minister for Finance's invitation to serve on the Commission on Taxation I was aware that the Terms of Reference circumscribed its remit in a manner that would present difficulties for me. Nevertheless I was of the view that it was possible to make substantial progress on developing a fairer, more progressive and economically sustainable system of taxation.

In my experience, the Commission took its task very seriously, went about its work in a conscientious manner and arrived at its conclusion with honesty and integrity.

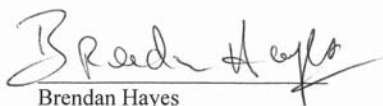
In addition, I want to acknowledge the work ethic, professionalism and expertise in, challenging, varied and complex areas of taxation against impossible deadlines, displayed by yourself as Chair and the Secretariat in facilitating the Commission discharge its mandate and deliver its report.

Whilst I recognise that progress has been made by the Commission, to which I contributed, that will broaden the tax base, ensure a more sustainable revenue flow to the state, eliminate many of the more serious inequities in the tax system, introduce some progressive amendments and extensions to the system, and reduce the scope for tax avoidance, nevertheless, on balance, I cannot support the Commission's Report for the following reasons,

- The Commission's Recommendations reinforce a low tax model of the economy and of society that I do not support
- The Commission's Recommendations are not optimised to generate the revenues necessary to create a social infrastructure capable of supporting a cohesive and equitable society and a sustainably productive and growing economy.
- The manner in which the low tax policy, is applied to the economy and informs the Commission's findings is fundamentally flawed and is inhibiting economic growth, exacerbating social and economic inequality and inequitably distributing the tax burden.
- That social and economic model gives rise to structural pressures that increase income and wealth disparities that the Commission's Recommendations will not correct. Those disparities, together with the current national economic and social policy framework, have made ours a profoundly unequal society. The tax and social security systems, strategic state involvement and well financed public services are normally deployed, in advanced European countries, to moderate such inequalities to achieve social cohesion and promote economic growth. However where the state adopts a low tax policy, in the manner in which this state has, the result is an underfinanced set of public services, including health, education and local government, and an inadequate social security infrastructure which further exacerbates inequality, reduces social cohesion and retards economic growth.. The Commission was required by its terms of reference to uphold the current low tax policy and its recommendations reflect this. Consequently the Commission's Report will neither fairly distribute the burden of taxation nor generate, in a progressive manner, sufficient revenue for the state, to ameliorate those disparities or enhance social provision and cohesion whilst supporting economic growth.
- Based on its terms of Reference, the prevailing economic and social policy framework and a firm view on the most appropriate taxation structure for Ireland at this time, the Commission has made some recommendations that I cannot support and that I believe will undermine social cohesion and or economic growth.
- Finally in a number of areas I believe the Commission has struck the wrong balance between fairness and efficiency in its recommendations.

For these reasons I have severe reservations on the Report of the Commission and respectfully decline to sign it.

Yours Sincerely


Brendan Hayes

10 August 2009

Annex 3:

List of submissions

Alcohol Beverage Federation of Ireland	Department of Health and Children
American Chamber of Commerce	Department of Social and Family Affairs
Arkins Kenny & Co.	Department of Transport
Association of Chartered Certified Accountants	Devlin, Jim
Association of County and City Councils	Dillon, John
Association of Higher Civil and Public Servants	Donegal County Council
Ballinvalley, Margaret	Dowling, Charles
Bank of Ireland Private Banking	Drinks Industry Group of Ireland
Barry, Michael	Dublin City Council
Beggan, Celine	Dundalk Chamber
Boylan, Frank, Bank of Ireland Third World Fund	EarthRoute
Brady, Dr. Hugh, President University College Dublin	Economic and Social Research Institute
Brett, Ivo	Ennis Chamber
Browne, Maria	Environmental Protection Agency
Byrne, John Paul	Ernst & Young
Callan, Professor Tim	Fáilte Ireland
Carson, Douglas	Feasta – Foundation for the Economics of Sustainability
Chambers Ireland	Feighery, Paul
Chambers, M.	Financial Taxation and Trustee Services Ltd.
Children's Rights Alliance	Foley, James, ESB Electric Aid
Citizens Information Board	Foley, Mary
Coghlan, James	Gallico Developments
Combat Poverty Agency	Galway County Council
Comhar - Sustainable Development Council	Gay and Lesbian Equality Network
Community Foundation for Ireland	Genworth Financial
Construction Industry Federation	Giblin, Sean
Consultative Committee of Accountancy Bodies - Ireland	Gibney, Cormac
CORI Justice	Glynn, Joseph
County and City Managers Association	Gray, Alan, Indecon Economic Consultants
Crilly, Kieran	Green Party
Cúram	Hanrahan, John
Dawnay, Hugh	Havok
Deloitte & Touche	Hayden, Eamonn
Department of Arts, Sport and Tourism	Heatley, Freddy
Department of Community, Rural and Gaeltacht Affairs	Heery, Tony
Department of Enterprise, Trade and Employment	Hurley, Mark
Department of the Environment, Heritage and Local Government	IFA Aquaculture
Department of Finance	Institute of International and European Affairs
	Institutes of Technology - Secretary/Financial Controllers Group
	Irish Association of Investment Managers
	Irish Association of Pension Funds
	Irish Banking Federation
	Irish Business and Employers Confederation

Irish Charities Tax Reform Group	Moore, Daragh
Irish Congress of Trade Unions	Murphy, Denis, Blackwater Motors
Irish Exporters Association	Murphy, Diarmuid
Irish Farmers Association	Musgrave Group
Irish Funds Industry Association	National Centre for Liturgy
Irish Heritage Trust	National Competitiveness Council
Irish Hotels Federation	National Disability Authority
Irish Insurance Federation	National Tourism Development Authority
Irish Landmark Trust	Newman, John
Irish Life Assurance	Nolan, Mark
Irish National Organisation of the Unemployed	Nugent, Chris
Irish Nurses Organisation	O'Connell, Des
Irish Petroleum Industry Association	Office of the Ombudsman
Irish Pharmacy Union	O'Regan, Noel
Irish ProShare Association	O'Sullivan, Pat
Irish Rugby Football Union	Philanthropy Ireland
Irish Rugby Union Players Association	Power, Michael
Irish Rural Link Ltd.	Professional Footballers' Association of Ireland
Irish Stock Exchange	Quigley, John R.
Irish Taxation Institute	Quigley, Mary
Irish Tobacco Manufacturers Advisory Committee	RGDATA
Irish Tourism Industry Confederation	Roche, Thomas
Irish Universities Association	Roscommon County Council
Kelly, Glenn	Ryan, Joe
Kelly, Suzanne	Ryan, Sean
Kerry County Council	Shannon Development Ltd.
King, Timothy	Sheedy, Tom
Law, Jonathan	Small Firms Association
Law Society of Ireland	Society of Actuaries in Ireland
Limerick Institute of Technology	Society of St Vincent de Paul
Loftus, John	Society of the Irish Motor Industry
Longford County Council	Spicer, Richard
Lynch, Conor	Standard Life
Lynch, Damian	Stewart, Jim
MacDonncha, Aodán	The Community Foundation for Ireland
MacThomáis, Uinseann	The Iona Institute
Martin, Tom	The Ireland Funds
Mayo County Council	The Pensions Board
Mercer	The Revenue Commissioners
McGauran, Vincent	The Wheel
McKeown, John	Thornes, Peter
McKenna, Justin	Tierney, John, Dublin City Manager
McKeivitt, Tom	Twomey, Conor
Midlands Gateway Chamber	Údarás na Gaeltachta
Monaghan County Council	Urban Forum

Annex 4: Oral hearings

American Chamber of Commerce
Callan, Professor Tim
Conference of Religious of Ireland, Justice Office
Consultative Committee of Accountancy Bodies -
Ireland
Irish Banking Federation
Irish Business and Employers Confederation
Irish Congress of Trade Unions
Irish Exporters Association
Irish Farmers Association
Irish Hotels Federation
Irish Tourism Industry Confederation
National Competitiveness Council

The Commission also met with the following:

Children's Rights Alliance
County and City Managers Association
Coillte
Combat Poverty Agency
Comhar - the Sustainable Development Council
Department of Communications, Energy and
Natural Resources
Department of Enterprise, Trade and Employment
Department of the Environment, Heritage and
Local Government
Department of Finance
Department of Social and Family Affairs
Department of Transport
Donnelly, Dympna
Ecology Foundation - Ireland
Economic and Social Research Institute
Enterprise Ireland
Environmental Pillar
Environmental Protection Agency
Forfás
Foundation for the Economics of Sustainability
Friends of the Earth
IDA Ireland
Irish Association of Pension Funds
Irish Business and Employers Confederation
Irish Charities Tax Reform Group
Irish Taxation Institute
Irish Tobacco Manufacturers Advisory Committee
McCarthy, Colm
McHugh, Neil
National Women's Council
Ordnance Survey Ireland
Pensions Ombudsman
Small Firms Association
Society of the Irish Motor Industry
Sustainable Energy Ireland
The Pensions Board
The Revenue Commissioners
Tierney, John, Dublin City Manager

Annex 5: Acknowledgements

The members of the Commission, along with the Secretariat, wish to particularly acknowledge the assistance received from the following.

Economic and Social Research Institute - Director Frances Ruane and her colleagues Tim Callan, John FitzGerald, Richard Tol and Sue Scott

Enterprise Ireland

Environmental Protection Agency

Forfás

Foundation for Fiscal Studies

Heady, Professor Chris, University of Kent

IDA Ireland

Matthews, Professor Alan, Trinity College Dublin

Other Government Departments and Offices

The Department of Finance

The Geary Institute (UCD)

The Revenue Commissioners

Valuation Office

The Commission is also very grateful for the assistance provided by Paul Bolger, Department of Communications, Energy and Natural Resources

Annex 6:

Taxation of couples [Part 5]

1. Overview

Husbands and wives married to each other may elect to be assessed to income tax under either:

- Joint assessment (also known as aggregation)
- Separate assessment (which gives the same aggregate tax payable as joint assessment)
- Assessment as a single person (also known as separate treatment)

In contrast, heterosexual unmarried couples, same sex couples and siblings living together are all assessed to income tax as single persons and cannot elect to be assessed to tax under joint assessment (aggregation) or separate assessment.

2. Joint assessment (aggregation)

Joint assessment (aggregation) is an option for husbands and wives married to each other. Under joint assessment, allowances, tax credits and income tax bands can be allocated between spouses to suit their circumstances. For example:

- If only one spouse has taxable income, all allowances, tax credits and the benefit of the full amount of the lower rate of income tax will be given to him or her
- If both spouses have taxable income, they can decide which spouse is to be the assessable spouse and request the tax office to allocate the tax credits and the income tax rate bands between them in whatever way they wish. The employer tax credits, relief for long-term unemployed, the seafarer's allowance, employment expenses and the 'extended' band of the lower rate of income tax (for joint assessment couples with two incomes) are non-transferable
- In the absence of an election, the spouse with the highest income will be deemed to be the assessable person

3. Separate assessment

Separate assessment is an option only for husbands and wives married to each other. Under separate assessment, each spouse's tax affairs are independent of the other. The following tax credits are divided equally:

- Married person's tax credit
- Age tax credit
- Blind person's tax credit
- Incapacitated child tax credit

The balance of the tax credits is given to each in proportion to the cost borne. The employee tax credit and employment expenses, if any, are allocated to the appropriate spouse. However, any allowances and tax credits which are unused by one spouse may be claimed by the other spouse. The employee tax credit relief for long-term unemployed, the seafarer's allowance, relief for long-term unemployed, employment expenses and the 'extended' band of the lower rate of income tax (for joint assessment couples with two incomes) are non-transferable.

4. Assessment as a single person

Assessment as a single person (also referred to as separate treatment)

- Is an option for husbands and wives married to each other
- Is the only option for other couples

Under assessment as a single person, each spouse or partner is treated as a single person for tax purposes and both spouses/partners:

- Are taxed on their own income
- Receive allowances, tax credits and income tax bands due to them as a single person
- Pay their own tax
- Complete their own return of income form and claim their own tax credits

In addition, one spouse or partner cannot claim relief for payments made by the other and there is no right to transfer of tax credits, allowances or income tax bands.

5. Main differences between joint assessment and non-joint assessment cases for income tax purposes

5.1 Tax credits

The following tax credits can be transferred between husband and wife but cannot be transferred between two cohabiting single persons¹:

- Age tax credit
- Blind person's tax credit
- Incapacitated child tax credit
- Dependent relative tax credit
- Employed persons taking care of an incapacitated individual tax credit

It should be noted that the home carer tax credit is available only to husbands and wives who opt for joint assessment.

5.2 Reliefs

The following reliefs can be transferred between husband and wife but cannot be transferred between two cohabiting single persons:

- Interest paid
- Premiums on insurance against expenses of illness
- Premiums under long-term care policies
- Rent paid
- Fees paid for third-level
- Fees paid for training courses
- Service charges relief
- Certain gifts
- Loss relief

¹

Arising from the change in the Finance Act 2007, health expenses relief (section 469 TCA 1997) may be claimed by a taxpayer in respect of any other individual and is not confined to a spouse or dependants as was the case prior to 2007.

5.3 Exemptions

Where either spouse is aged 65 or over, the age exemption income threshold for a husband and wife married to each other of €40,000 (for 2009) – and increased where there are qualifying children by €575 in respect of the first and second child and €830 for each additional child – can be used against the aggregate of their income. However, individuals not entitled to joint assessment have an age exemption threshold of €20,000 and two persons who are not husband and wife married to each other may not aggregate their income for the purposes of utilising a joint threshold of €40,000.

5.4 Bereavement issues

The widowed person's tax credit is available only to the bereaved husband or wife of a married couple. The married person's tax credit is available also to the surviving spouse, in the year of death only, from date of death of the other spouse.

5.5 Separation

When a husband and wife married to each other separate and one spouse is mainly or wholly maintained by the other by voluntary maintenance, the payer is entitled to married tax credit and the recipient is entitled to single tax credit. In addition, if both husband and wife so elect, they may elect for joint assessment as if the separation never took place.

6 Treatment of married couples for capital taxes and stamp duty purposes

6.1 Capital acquisitions tax

Gifts and inheritances from one spouse to the other spouse are exempt from CAT.

6.2 Capital gains tax

- Assets can be transferred from one spouse to the other spouse at original cost for tax purposes – i.e. there is no taxable gain on the transfer. This also applies where the transfer takes place between former spouses under the terms of their divorce settlement
- The unused capital losses of one spouse can be set off against capital gains of the other spouse so long as they are living together, and
- The period of ownership of an asset by one spouse is treated as the period of ownership of the asset by the other spouse for the purposes of certain reliefs e.g. principal private residence relief and retirement relief

6.3 Stamp duty

Transfers of property between spouses generally are exempt from stamp duty.

Transfers of property from one spouse to the other where those spouses have divorced and the transfer is made on foot of a relief order within the meaning of section 23 of the Family Law Act 1995, an order under Part III of the Family Law (Divorce) Act 1996 or a foreign court order made under or in consequence of the dissolution of a marriage where the dissolution is entitled to be recognised in Ireland, are also exempt from stamp duty.

A person whose marriage is the subject of a decree of judicial separation, a decree of divorce, a decree of nullity or a deed of separation may benefit from first-time purchaser relief once and only once where that person buys another house to live in provided, at the date of execution of the instrument giving effect to the new purchase, the person no longer has an interest in the former marital home and the other spouse continues to occupy, since the date of the decree or the date of execution of the deed of separation, the former marital home as his or her only or main residence, which was occupied by both of them as their main residence prior to the decree or the date of execution of the deed of separation.

Annex 7:

Band individualisation examples and 2009 income tax thresholds [Part 5]

Note: These examples are intended to show the effect of band individualisation alone. As such, calculations relating to employee PRSI and the income and health contribution levies which would also influence net take home pay are excluded.

Example 1					
Married one-earner PAYE couple with 1 child		Married two-earner PAYE couple with 1 child Joint assessment (assume 65:35 income split)			
Income:	€45,400	€29,510	+	€15,890	
	€	€		€	€
Gross tax @ 20% =	9,080	5,902	+	3,178	= 9,080
<i>Less credits</i>		<i>Less credits</i>			
Married	3,660	1,830		1,830	
PAYE	1,830	1,830		1,830	
Home carer	900				
	6,390 (6,390)	3,660	+	3,660	= (7,320)
Net tax	€2,690	Net tax		€1,760	
Difference in net tax liability:	930				
Difference due to bands:	Nil				
Difference due to credits:	930				

Example 2				
Married one-earner PAYE couple with 1 child		Married two-earner PAYE couple with 1 child Joint assessment (assume 65:35 income split)		
Income:	€46,400	€30,160	+	€16,240
	€	€		€
45,400 @ 20% =	9,080	6,032	+	3,248 = 9,280
1000 @ 41% =	<u>410</u>			
Gross tax:	9,490			
<i>Less credits</i>		<i>Less credits</i>		
Married	3,660	1,830		1,830
PAYE	1,830	1,830		1,830
Home carer	900			
	6,390 (6,390)	3,660	+	3,660 = (7,320)
Net tax	€3,100	Net tax		€1,960
Difference in net tax liability:	1,140			
Difference due to bands:	210			
Difference due to credits:	930			

Example 3				
Married one-earner PAYE couple with 1 child		Married two-earner PAYE couple with 1 child Joint assessment (income split as shown)		
Income:	€72,800	€45,400	+	€27,400
	€	€		€
45,400 @ 20% =	9,080	7,280 (36,400 @ 20%)		5,480 (27,400 @ 20%)
27,400 @ 41% =	<u>11,234</u>	<u>1,800</u> (9,000 @ 20%)		
Gross tax:	20,314	9,080 (band of €9,000 transferred between spouses)	+	5,480 14,560
<i>Less credits</i>		<i>Less credits</i>		
Married	3,660	1,830		1,830
PAYE	1,830	1,830		1,830
Home carer	900			
	6,390 (6,390)	3,660	+	3,660 = (7,320)
Net tax	€13,924	Net tax		€10,840
Difference in net tax liability:	6,684			
Difference due to bands:	9,534			
Difference due to credits:	930			

Example 4					
Married one-earner PAYE couple with 1 child		Married two-earner PAYE couple with 1 child Joint assessment (income split 50:50)			
Income:	€73,000	€36,500	+	€36,500	
	€	€		€	€
45,400 @ 20% =	9,080	7,280	(36,400 @ 20%)	7,280	(36,400 @ 20%)
27,600 @ 41% =	<u>11,316</u>	<u>41</u>	(100 @ 41%)	<u>41</u>	(100 @ 41%)
Gross tax:	20,396	7,321		+ 7,321	14,642
<i>Less credits</i>		<i>Less credits</i>			
Married	3,660	1,830		1,830	
PAYE	1,830	1,830		1,830	
Home carer	900				
	6,390	3,660	+	3,660	= (7,320)
Net tax	€14,006	Net tax		€7,322	
Difference in net tax liability:	6,684				
Difference due to bands:	5,754				
Difference due to credits:	930				

Example 5 (Bands individualised at the level of the married one-earner band)					
Married one-earner PAYE couple with 1 child		Married two-earner PAYE couple with 1 child Joint assessment (income split 50%:50%)			
Income:	€90,800	€45,400	+	€45,400	
	€	€		€	€
45,400 @ 20% =	9,080	9,080	(45,400 @ 20%)	9,080	(45,400 @ 20%)
27,600 @ 41% =	<u>18,614</u>				
Gross tax:	27,694	9,080	+	9,080	18,160
<i>Less credits</i>		<i>Less credits</i>			
Married	3,660	1,830		1,830	
PAYE	1,830	1,830		1,830	
Home carer	900				
	6,390	3,660	+	3,660	= (7,320)
Net tax	€21,304	Net tax		€7,322	
Difference in net tax liability:	10,464				
Difference due to bands:	5,754				
Difference due to credits:	930				

Income tax thresholds 2009	
PAYE sector earners	Self-employed sector earners
Single Credits: Personal: €1,830 Employee: €1,830 Entry point to tax net: €18,300 per annum (€351.92 per week)	Single Credits: Personal: €1,830 Entry point to tax net: €9,150 per annum (€175.96 per week)
Married one-earner (no children) Credits: Personal credit (married): €3,660 Employee: €1,830 Entry point to tax net: €27,450 per annum (€527.88 per week)	Married one-earner (no children) Credits: Personal credit (married) €3,660 Entry point to tax net: €18,300 per annum (€351.92 per week)
Married one-earner (with children) Credits: Personal credit (married): €3,660 Employee: €1,830 Home carer: €900 Entry point to tax net: €31,950 per annum (€614.42 per week)	Married one-earner (with children) Credits: Personal credit (married) €3,660 Home carer: €900 Entry point to tax net: €22,800 per annum (€438.46 per week)
Married two-earner Credits: Personal credit (married): €3,660 Employee x2: €3,660 Entry point to tax net: €36,600 per annum (€703.85 per week)	Married two-earner (both self-employed) Credits: Personal credit (married) €3,660 Entry point to tax net: €18,300 per annum (€351.92 per week)
Lone parent Credits: Personal credit: €1,830 Employee: €1,830 One parent family: €1,830 Entry point to tax net: €27,450 per annum (€527.88 per week)	Lone parent Credits: Personal credit: €1,830 One parent family: €1,830 Entry point to tax net: €18,300 per annum (€351.92 per week)

Annex 8:

Income tax, PRSI and levies: Differences in bases and definitions [Part 5]

1. Income tax base

Income tax is charged on income under various Cases and Schedules and different rules apply in the calculation of different categories of income. Such calculations take account of trade losses, expenses, allowances, reliefs and personal tax credits reflecting an individual's marital and parental status and age.

2. PRSI base

In general insured persons aged 16 years or over and less than 66 years are required to pay social insurance contributions based on their level of income. These contributions provide entitlement to benefits under the various social insurance schemes. An individual can be insured for social insurance purposes in three ways:

- a) An employed contributor
- b) A self employed contributor
- c) A voluntary contributor²

Employed contributor

Employment contributions are paid by employed contributors and their employers in respect of any payment made for the benefit of the employed the first instance to pay both the employers and the employee's contribution and to recover the employee's contribution from the employee.

Reckonable earnings for social insurance purposes means income assessable to income tax under schedule E (income from employments and pensions) including non-pecuniary income such as certain benefits-in-kind and reduced by payments to approved pension schemes under the net pay arrangement. Reckonable earnings are generally reduced by additional voluntary contributions to pension schemes.

Reckonable emoluments for social insurance purposes are defined as emoluments which do not arise from an insurable employment but which are subject to PAYE such as director's fees paid to a non-executive director. Superannuation payments under the net pay arrangement are deductible in arriving at the reckonable income. Additional voluntary contributions to pension schemes are generally deductible.

Legally enforceable maintenance payments which are deductible for income tax purposes may also be deductible for PRSI purposes.

Certain employments are 'excepted' employments which mean that they are non-insurable. Part 2 of the First Schedule to the Social Welfare (Consolidation) Act 1993 lists certain excepted employments as follows:

- Employment in the service of the individual's spouse

² A person who ceases to be an employed contributor or a self employed contributor other than by reaching pensionable age may be entitled to make voluntary contributions.

- Employment of a casual nature
- Employment by a prescribed relative of the employed person being either employment in the common home of the employer and the employed person or employment specified in regulations as corresponding to employment in the common home of the employer and the employed person
- Employment specified in regulations as being of a casual nature that is ordinarily adopted as subsidiary employment only and not as the principal means of livelihood
- Employment specified in regulations as being of inconsiderable extent (€38 per week)
- Employment under a scheme administered by FAS Community Employment scheme, which commenced before 6 April 1996

Self employed contributor

Reckonable income for social insurance purposes is income chargeable to income tax under Schedule D (income from a trade or profession and investment and rental income) and Schedule F (dividends and distributions received from Irish resident companies). It includes certain income which is exempt from income tax such as the artist's exemption, profits from woodlands and income from the provision of childcare services in a qualifying premises. Legally enforceable maintenance payments are deductible for PRSI purposes. Trading losses, retirement annuities and payments made under deeds of covenant (which would normally be deductible for income tax purposes) are not deductible in the case of self-employed contributors.

PRSI ceiling and classes

There are 11 different classes of PRSI, most of which are subdivided into different subclasses. A weekly PRSI free allowance of €127 (€6,604 per annum) applies for employees at PRSI classes A and H where weekly earnings are in excess of €352 per week (€18,304 per annum). A reduced weekly PRSI free allowance of €26 (€1,352 per annum) applies for all employees at PRSI classes B, C and D. An annual contribution ceiling applies in the case of employee PRSI (€75,036) but no ceiling applies in respect of employer PRSI. Self-employed contributors pay PRSI at a reduced rate of 3% where annual income is €3,174 and over. There is no PRSI free allowance and no contribution ceiling.

3. National training levy base

The national training levy of 0.7% forms part of the employer PRSI contribution in respect of contribution classes A and H. The levy is incorporated in the employer's share of PRSI. Approximately 76% of employees are in these classes. The base for the national training levy is the same as applies for PRSI.

4. Health contribution base

The Health Contribution Act 1979 places an obligation in respect of each individual who is aged 16 or over and under age 70 to pay health contributions towards the cost of provision of services under the Health Acts. The health contribution levy, at a rate of 4%, is payable by employees and the self-employed. Individuals pay the 4% contribution where annual income is in excess of €26,000. An additional 1% health contribution levy applies to earnings exceeding €75,036. Recipients of the social welfare widow's or widower's pension, deserted wives benefit or allowance, the one

parent family payment and corresponding pensions from an EU Member State are exempt from payment of the health contribution levy. All medical card holders are also exempt.

Payments made under a legally enforceable maintenance agreement are exempt from the health contribution levy. In the case of a married couple, liability to health contribution levy applies separately to each spouse.

The definitions of reckonable earnings, reckonable emoluments and reckonable income for health contribution levy purposes are contained in the Health Contribution Regulations 1979.

- **Reckonable earnings**
Reckonable earnings are defined as emoluments derived from insurable employment which is charged to tax under Schedule E. The emoluments are reduced by any allowable contributions to an approved pension scheme. Apart from contributions to an approved pension scheme or a permanent health insurance scheme, no expenses, reliefs or allowances are deductible in computing reckonable earnings. Additional voluntary contributions which may qualify for income tax relief are not exempt from the health contribution unless deducted through a payroll system.
- **Reckonable emoluments**
This includes earnings from a non-insurable office (e.g. directors fees or emoluments received by a person who is over 66 years of age and therefore not insurable).
- **Reckonable income**
The definition of reckonable income for the purposes of the health contribution levy differs from the definition of reckonable income for self-employment PRSI contributions. Tax-exempt profits under the artist's exemption, tax-exempt profits from woodlands and tax-exempt income from the provision of childcare services in the home are exempt from the health contribution levy but are liable to the self-employment PRSI contribution. Other sources of income which are exempt from income tax, such as patent royalties, are also exempt from the health contribution levy.

5. Income levy base

The income levy is a levy payable on gross income, including notional pay. The levy is a separate charge to income tax and there are no deductions or credits available against it. It is collected from gross income at progressive rates.

All individuals are liable to pay the income levy where gross annual income exceeds the threshold of €15,028 (€289 per week). For individuals aged 65 years or over, there is an increased annual income exemption threshold of €20,000. Where income exceeds the relevant threshold, the income levy is chargeable on the full amount of the income.

The income levy is chargeable at 2% on annual earnings up to €75,036, 4% on earnings from €75,037 to €174,980 and at a rate of 6% on earnings over €174,980.

Exempt individuals

- Individuals whose total annual income is less than €15,028

- Individuals aged 65 years of over whose gross annual income is less than €20,000
- Individuals holding a full medical card

Exempt income includes

- Social welfare payments
- Payments made in lieu of social welfare payments such as Community Employment Schemes paid by the Department of Enterprise, Trade and Employment or Back to Work Allowance paid by the Department of Education
- Income subject to deposit interest retention tax
- Legally enforceable maintenance payments

Further information is available at www.revenue.ie/en/practitioner/law/income-levy.pdf

The table below sets out in tabular form the main differences in the bases for income tax, PRSI, the health contribution levy and the income levy.

	Income tax	PRSI – Class A (employee)	PRSI – Class S	Health contribution levy	Income levy
Full exemption for individuals					
Medical card holders	No	No	No	Yes	Yes
Individuals in receipt of Widow/widowers, one parent family payment	No	No	No	Yes	No
Age under 16	No	Yes	Yes	Yes	No
Exempt income sources					
Social welfare payments	No	Yes	Yes	Yes	Yes
Income subject to DIRT	No ³	Yes	No	No	Yes
Income subject to exit tax	No ⁴	Yes	No	No	Yes
Dividends from patent royalties	Yes	n/a	Yes	Yes	No
Dividends from woodlands	Yes	n/a	No	Yes	No
Other investment income	No	Yes	No	No	No
Benefit-in-kind	No	No	No	No	No
Remuneration paid in shares	No	Yes	Yes	Yes	No
Approved share schemes	Yes	Yes	Yes	Yes	Yes
Occupational pensions	No	Yes	Yes	No	No
Exempt income: Artists and woodlands	Yes	n/a	No	Yes	No
Exempt income: patent royalties	Yes	n/a	Yes	Yes	No
Income from leasing of farm land	Yes	n/a	No	No	No
Childcare services relief (income less than €15,000 per annum)	Yes	n/a	No ⁵	Yes ⁶	Yes
Deductible items					
Pension contributions – employee	Yes	Yes	Yes	Yes	No
Pension contributions – self employed	Yes	n/a	No	No	No
Pension contributions - AVCs	Yes	Yes	n/a	Yes	No
Maintenance payments for spouse under a legal agreement	Yes	Yes	Yes	Yes	Yes
Maintenance payments for children	No	No	No	No	No
Capital allowances	Yes	Yes	Yes	Yes	No
Losses	Yes	n/a	No	No	No
Allowance (per week)		€127	-		
Low income exclusions					
Exclusion if income below (per week)	n/a	€352		€500	€289
Exclusion if income below (per year)	n/a	n/a	€3,174	€26,000	€15,028
Exclusion for person aged 65 and over – income below (per year)	€20,000	n/a	n/a	n/a	€20,000
Exclusion for married persons aged 65 and over – aggregate income below (per year)	€40,000	n/a	n/a	n/a	€40,000
Unit of taxation	Married couple	Individual	Individual	Individual	Individual

3 Liability confined to standard rate

4 Liability confined to exit tax rate

5 Flat rate of €253 payable

6 Under €26,000 limit

Annex 9:

Tax treatment of social welfare payments [Part 5]

This Annex sets out the tax status of the main social welfare payments. A number of other schemes exist in addition to those listed below but are no longer open to new claimants. Examples of these include deserted wife's benefit and allowance and the pre-retirement allowance.

Payments which are subject to income tax are designated with the symbol (T) below while payments that are not subject to tax are designated (NT).

In the case of those payments which are subject to income tax:

- a) the child dependant amounts which are payable with most of the payments are also taxable with the exception of those payable with jobseeker's benefit, illness benefit, and injury benefit (i.e. the child dependant amounts payable with these three benefits are exempt from tax);
- b) as regards jobseeker's benefit, the first €13 per week is exempt from tax;
- c) the first 6 weeks of illness benefit and injury benefit in any tax year are exempt from tax.

In the case of those which are not subject to tax, the non-application of taxation may be due to the character of the payment (as in the case of maternity benefit or adoptive benefit), or to a specific statutory exemption (as in the case of child benefit or jobseeker's benefit paid to systematic short-time workers) or to long standing practice (as in the case of jobseeker's allowance).

Taxable Payments	Rate of payment (2009)
<p>State Pension (contributory) (T) <i>(formerly Old Age Contributory Pension)</i></p> <p>Paid to people aged 66 and over who have paid social insurance contributions in Ireland and satisfy a number of qualifying conditions. (A pro-rata pension may alternatively be paid based on a combination of reckonable contributions in Ireland and EU or Bilateral Agreement countries).</p> <p>It is not means-tested. In general, a person must have been an employee and paying full-rate social insurance contributions. In addition, persons can also qualify based on paid self-employed contributions.</p>	<p>(Personal rates only are shown for illustrative purposes)</p> <p>€230.30 per week (under 80).</p>
<p>State Pension (non-contributory) (T) <i>(formerly Old Age Non-Contributory Pension)</i></p> <p>The State Pension (Non-Contributory) is a means-tested payment for people resident in Ireland aged 66 or over who do not qualify for a State Pension (Contributory) based on their social insurance record.</p>	<p>€219.00 per week (under 80).</p>
<p>State Pension (transition) (T) <i>(formerly Retirement Pension)</i></p> <p>Paid to people aged 65 who have retired from work and who have enough social insurance contributions. To be deemed to have retired a person's earnings from employment must be less than €38 per week/€3174 per year. It is not means-tested.</p> <p>At age 66, the person will transfer to the State Pension (Contributory).</p>	<p>€230.30 per week.</p>

<p>Widow's and Widower's Pension (contributory) (T)</p> <p>A weekly payment to the husband or wife of a deceased person. Either the recipient or their deceased spouse must have enough social insurance contributions. The pension is payable regardless of other income.</p>	<p>€209.80 per week if under age of 66 €230.30 per week if over the age of 66 but under 80</p>
<p>Widow's and Widower's Pension (non-contributory) (T)</p> <p>Means-tested payment payable to a widow or widower who does not qualify for a contributory widow's/widower's payment and who does not have dependent children. It is only payable to people aged under 66.</p>	<p>€204.30 per week.</p>
<p>One-Parent Family Payment (T)</p> <p>A payment for men and women who are bringing children up without the support of a partner. For example, it is payable to an unmarried person, a widowed person, prisoner's spouse, a separated or divorced person, or one whose marriage has been annulled.</p> <p>Person must meet certain conditions and must satisfy a means test. If divorced or unmarried, the recipient must also have attempted to get maintenance from the child's other parent (father or mother).</p>	<p>€204.30 per week.</p>
<p>Guardian's Payment (contributory or non-contributory) (T) <i>(formerly Orphan's Allowance)</i></p> <p>May be made to a person taking care of an orphan or a child where one parent is dead or unknown or has abandoned and failed to provide for the child and the other parent is unknown or has abandoned and failed to provide for the child. It is not necessary to be a legally appointed guardian. The payment must benefit the child. If the child is attending a full-time education course, is aged between 18 and 22 years of age and is not living with or in the care of a guardian, the payment can be paid directly to the child.</p> <p>The payment can be contributory (based on PRSI payments paid by the parent) or non-contributory (based on a means-test).</p> <p>It is not possible to get a guardian payment and a foster care allowance. Guardian's payments are regarded as the beneficial property of the children and are taxed accordingly.</p>	<p>€176.50 per week</p>
<p>Illness benefit (T) (first 6 weeks tax free in any tax year) <i>(formerly Disability Benefit)</i></p> <p>A person may get this payment if they cannot work because of illness. They must be under 66 years of age and covered by social insurance (PRSI).</p>	<p>€204.30 per week.</p>

<p>Invalidity Pension (T)</p> <p>This is a weekly payment to people who cannot work because of a long-term illness or disability and are covered by social insurance. Normally, a person must be getting Illness Benefit for at least twelve months before they claim Invalidity Pension. It may be possible to get Invalidity Pension after a shorter period if the person is unlikely to be able to work for the rest of their life because of illness or disability.</p> <p>At age 65, the rate of payment increases to the same rate as State Pension (Transition). At age 66, the person will transfer to State Pension (Contributory).</p> <p>A recipient is entitled to a Free Travel Pass and may also get extra social welfare benefits, for example, the Household Benefits Package.</p>	<p>€209.80 per week.</p>
<p>Carer's Benefit (T)</p> <p>Payment made to insured persons in Ireland who leave the workforce to care for a person(s) in need of full-time care and attention because of age, physical or learning disability or illness, including mental illness.</p> <p>A recipient can get Carer's Benefit for a total period of 104 weeks for each person being cared for. This may be claimed as a single continuous period or in any number of separate periods up to a total of 104 weeks.</p>	<p>€220.50 per week.</p>
<p>Injury Benefit (T) (first 6 weeks tax free in any tax year)</p> <p>Is a weekly payment paid for up to 26 weeks after accident or onset of disease if a person is unfit for work due to:</p> <ul style="list-style-type: none"> • An accident at work • An accident while travelling (on an unbroken journey) directly to or from work • An occupational disease (a disease contracted in the course of employment or due to the nature of work, for example, from contact with physical or chemical agents) 	<p>€204.30 per week</p>

<p>Disablement Benefit (T)</p> <p>May be paid if an insured person suffers a loss of physical or mental faculty because of an accident at work, an accident travelling directly to or from work, or a prescribed disease contracted at work. Payment is made where the level of disablement following the accident or disease is assessed at 1% or more.</p> <p>Where the level of disablement is assessed at 20% or more, the benefit is paid by weekly or 4 weekly pension. However, where the rate is assessed at less than 20%, the benefit is generally paid as a lump sum. (However, where the claim is finalised and the rate of disablement is between 10% and 19% the claimant has the option of lump sum or pension). The size of the lump sum will vary depending on the degree of disablement and how long the person is reasonably expected to be disabled.</p> <p>If a person is getting Disablement Benefit and is unfit for work, they may qualify for Illness Benefit based on their social insurance contributions (PRSI). If they do not qualify for Illness Benefit or another social welfare payment, they may get Incapacity Supplement.</p> <p>The amount of payment depends on the degree of disablement, which is medically assessed. For assessments of 20% disablement upwards, a pension is payable. (normally paid after Injury Benefit finishes). The pension is taxable but the gratuity/lump sum is not.</p>	<p>The amount of payment per week is based on the percentage degree of disability assessed. The rate for 100% incapacity is €235.40 per week.</p>
<p>Incapacity Supplement (T) <i>(formerly Unemployability Supplement)</i></p> <p>This is an extra supplement with Disablement Benefit. A person may get this payment if they are permanently incapable of work as a result of an occupational accident or disease and do not qualify for another social welfare payment such as Illness Benefit. They may also get an increase in their payment for an adult dependant and child dependants. The claimant earnings cannot exceed €33 while claiming this supplement.</p>	<p>€204.30 per week.</p>
<p>Constant Attendance Allowance (T)</p> <p>This allowance may be paid weekly as an increase to Disablement Benefit if person is so seriously disabled as to need someone (a relative or some other person) to help them daily at home to attend to personal needs for a period of at least 6 months. The person must be getting a Disablement Benefit of 50% or over. Allowance is based on the recommendation of the Department's medical advisor. The allowance is not paid for any period during which the person is in a hospital or similar institution. Respite Care Grant is payable to the carer.</p>	<p>€221.20 per week.</p>
<p>Death Benefits Pension (T)</p> <p>The death benefit pension is an occupational injuries benefit, paid to spouses of individuals who have died in workplace accidents or where the person was getting a Disablement pension assessed at 50% or greater at the time of death. It is not contribution-based and operates in the same way as the widow(ers) contributory pension.</p>	<p>€234.70 per week</p>

<p>Blind Pension (T)</p> <p>Means-tested payment to blind and visually impaired people normally living in Ireland. To qualify for the pension, a person will be required to have an eye test by an ophthalmic surgeon (paid for by the Department) to verify visual impairment and certain people with low vision may qualify. A person in receipt of this payment may also qualify for the Blind Welfare Allowance. They will automatically get a Free Travel Pass and a Companion Free Travel Pass. (A Free Travel Pass allows a person to travel on State public transport in Ireland for free. A Companion Free Travel Pass allows a companion aged 16 or over to also travel for free).</p>	<p>€204.30 per week.</p>
<p>Jobseeker's Benefit (T) (formerly <i>Unemployment Benefit</i>)</p> <p>Weekly payment made to people who are out of work and covered by social insurance (PRSI). Jobseeker's benefit paid to systematic short-time workers is statutorily exempt from tax under Section 126 of the Taxes Consolidation Act 1997.</p>	<p>€204.30 per week.</p>
<p>Payments not subject to taxation</p>	
<p>Child Benefit (NT)</p> <p>Universal payment to the parents or guardians of children under 16 years of age, or under 19 years of age if the child is in full-time education, FÁS Youthreach training or has a disability. With effect from 2010, the payment is being discontinued in respect of children aged 18 years. In 2009, only half the payment is available in respect of such children.</p>	<p>1st and 2nd Child: €166 per month 3rd and subsequent children: €203 per month</p>
<p>Systematic Short-Time Benefit (NT)</p> <p>Where an employee's normal working week is reduced, the person may receive Jobseeker's Benefit for the days they do not work. The total number of days at work and on JB combined cannot be more than 5 in a week.</p>	<p>Depends on short-time arrangement</p>
<p>Maternity Benefit (NT)</p> <p>Maternity Benefit is a payment made to women who are on maternity leave from work and covered by social insurance (PRSI). The amount of money paid each week depends on the person's earnings.</p> <p>It is paid directly on a weekly basis for a maximum of 26 weeks. Some employers will continue to pay an employee, in full, while she is on maternity leave and require her to have any Maternity Benefit paid to them.</p> <p>For an employee, the weekly rate of Maternity Benefit is calculated by dividing the gross income in the relevant tax year* by the number of weeks actually worked in that year. Eighty percent (80%) of this amount is payable weekly, subject to a minimum payment and a maximum payment.</p> <p>For a self-employed person, the weekly rate of Maternity Benefit is calculated by dividing the gross income in the relevant tax year by 52 weeks - 80% of this amount is payable weekly, subject to a minimum payment and a maximum payment.</p> <p><small>*"Relevant tax year" is the second last complete income tax year before the year in which the payment starts.</small></p>	<p>Maximum payment: €280.00 per week Minimum payment: €230.30 per week</p>

<p>Adoptive Benefit (NT)</p> <p>Adoptive Benefit is a payment to an adopting mother or a single male who adopts a child. It is available to both employees and self-employed people. The person must meet certain social insurance (PRSI) contribution conditions on their own insurance record.</p> <p>Adoptive Benefit is paid for a continuous period of 24 weeks from the date of placement of the child.</p>	<p>Maximum payment: €280.00 per week Minimum payment: €230.30 per week</p>																
<p>Health and Safety Benefit (NT)</p> <p>Is a weekly payment for employed women who are pregnant or breastfeeding, and who are granted health and safety leave by their employer.</p> <p>The right to health and safety leave from employment in Ireland is set out under Section 18 of the Maternity Protection Act 1994. A woman is granted health and safety leave from employment in Ireland if her employer cannot remove a risk to her health while she is pregnant, or breastfeeding, or assign her alternative "risk-free" duties.</p> <p>To qualify for Health and Safety Benefit, a woman must meet certain criteria and social insurance (PRSI) contribution conditions. The employer pays the first 21 days of health and safety leave, and the Department of Social and Family Affairs pays the remainder.</p>	<p>Maximum payment: €204.30 per week.</p>																
<p>Jobseeker's Allowance (NT)</p> <p>Means-tested weekly payment for persons aged 18 or over who are unemployed.</p>	<p>€204.30 per week.</p>																
<p>Family Income Supplement (NT)</p> <p>Weekly tax-free payment available to married or unmarried employees with children. It gives extra financial support to people on low pay.</p> <p>To qualify for FIS, net average weekly family income must be below a certain amount for the family size. FIS is 60% of the difference between net family income and the income limit for that size of family.</p>	<p>Depends on net family income.</p>																
<p>2009 Income Limits: <i>Family income must be less than:</i></p> <table border="1"> <tr> <td>One child:</td> <td>€500</td> </tr> <tr> <td>Two children:</td> <td>€590</td> </tr> <tr> <td>Three children:</td> <td>€685</td> </tr> <tr> <td>Four children:</td> <td>€800</td> </tr> <tr> <td>Five children:</td> <td>€920</td> </tr> <tr> <td>Six children:</td> <td>€1,030</td> </tr> <tr> <td>Seven children:</td> <td>€1,160</td> </tr> <tr> <td>Eight children:</td> <td>€1,250</td> </tr> </table>		One child:	€500	Two children:	€590	Three children:	€685	Four children:	€800	Five children:	€920	Six children:	€1,030	Seven children:	€1,160	Eight children:	€1,250
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<p>Qualification guarantees a minimum payment of €20 each week.</p> <p>Farm Assist (NT)</p> <p>Means-tested income support scheme for farmers in Ireland. It is similar to Jobseeker's Allowance but has a more generous means test. In addition, recipient does not need to be available for work in order to qualify for Farm Assist.</p>	<p>€204.30 per week.</p>																

<p>Supplementary Welfare Allowance (NT)</p> <p>Provides a basic weekly allowance to eligible people who have little or no income. People with low incomes may also qualify for a weekly supplement payment under the Supplementary Welfare Allowance Scheme to meet certain special needs, for example, help with rent/mortgage interest payments or for urgent or exceptional needs.</p> <p>Operated by Community Welfare Officers in the HSE.</p>	<p>€204.30 per week.</p>
<p>Disability Allowance (NT)</p> <p>Means-tested weekly allowance paid to people with a disability who are between 16 and 65 years of age. Person must:</p> <ul style="list-style-type: none"> - Have an injury, disease or physical or mental disability that has continued or may be expected to continue for at least one year - As a result of this disability be substantially restricted in undertaking work that would otherwise be suitable for a person of that age, experience and qualifications - Be aged between 16 and 65 - Satisfy a means test - Satisfy the Habitual Residence Condition 	<p>Maximum rate: €204.30 per week.</p>
<p>Respite Care Grant (NT)</p> <p>Annual payment made to carers in Ireland. It is paid in respect of each person being cared for on the first Thursday of June. Carers can use the grant in whatever way they wish. It is paid automatically to those getting Carer's Allowance, Carer's Benefit, Constant Attendance Allowance or Prescribed Relative's Allowance. It can also be claimed for separately by those who do not qualify for one of those payments. It is not means tested.</p>	<p>€1,700 per year (paid in June).</p>
<p>Domiciliary Care Allowance (NT)</p> <p>This is a monthly payment made to the carer of a child (aged under 16) with a severe disability who lives at home. The disability must be likely to last for at least one year, and the child must need constant care and supervision that is substantially more than that normally needed by a child of the same age. The payment is not means-tested on either the child's means or the carer's means and a payment may be received in respect of each eligible child. Up to end-March 2009, the Domiciliary Care Allowance scheme was operated by the Health Service Executive.</p>	<p>€309.50 per month.</p>

Annex 10:

Annex III of the VAT Directive⁷ [Part 5]

List of supplies of goods and services to which the reduced rates referred to in Article 98 may be applied

- (1) Foodstuffs (including beverages but excluding alcoholic beverages) for human and animal consumption; live animals, seeds, plants and ingredients normally intended for use in the preparation of foodstuffs; products normally used to supplement foodstuffs or as a substitute for foodstuffs
- (2) Supply of water
- (3) Pharmaceutical products of a kind normally used for health care, prevention of illnesses and as treatment for medical and veterinary purposes, including products used for contraception and sanitary protection
- (4) Medical equipment, aids and other appliances normally intended to alleviate or treat disability, for the exclusive personal use of the disabled, including the repair of such goods, and supply of children's car seats
- (5) Transport of passengers and their accompanying luggage
- (6) Supply, including on loan by libraries, of books on all physical means of support (including brochures, leaflets and similar printed matter, children's picture, drawing or colouring books, music printed or in manuscript form, maps and hydrographic or similar charts), newspapers and periodicals, other than material wholly or predominantly devoted to advertising
- (7) Admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities
- (8) Reception of radio and television broadcasting services
- (9) Supply of services by writers, composers and performing artists, or of the royalties due to them
- (10) Provision, construction, renovation and alteration of housing, as part of a social policy
 - (a) Renovation and repairing of private dwellings, excluding materials which cannot account for a significant part of the value of the service supplied
 - (b) Window-cleaning and cleaning in private households
- (11) Supply of goods and services of a kind normally intended for use in agricultural production but excluding capital goods such as machinery or buildings;
- (12) Accommodation provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites
 - (a) Restaurant and catering services, it being possible to exclude the supply of (alcoholic and/or non-alcoholic) beverages
- (13) Admission to sporting events
- (14) Use of sporting facilities
- (15) Supply of goods and services by organisations recognised as being devoted to social wellbeing by Member States and engaged in welfare or social security work, in so far as those transactions are not exempt pursuant to Articles 132, 135 and 136
- (16) Supply of services by undertakers and cremation services, and the supply of goods related thereto

⁷ Amended by Council Directive 2009/47/EC effective from 1 June 2009

- (17) Provision of medical and dental care and thermal treatment in so far as those services are not exempt pursuant to points (b) to (e) of Article 132(1)
- (18) Supply of services provided in connection with street cleaning, refuse collection and waste treatment, other than the supply of such services by bodies referred to in Article 13
- (19) Minor repairs of bicycles, shoes and leather goods, clothing and household linen (including mending and alteration)
- (20) Domestic care services such as home help and care of young, elderly, sick or disabled
- (21) Hairdressing

Annex 11:

Summary of conditions determining residence in other countries⁸ [Part 5]

	183 day rule	6 month presence	Main abode	Centre of economic interests	Centre of personal interests	Emigration/immigration rules	Citizen/national	Domicile	Other
Austria		continuous ⁹	Y					Y	
Australia	Y		Y			Y		Y	Y ¹⁰
Bulgaria	Y		Y	Y	Y				Y ¹¹
Denmark		continuous	Y						Y ¹²
Finland		continuous	Y						Y ¹³
France	Y ¹⁴		Y ¹⁵	Y					Y ¹⁶
Germany		continuous	Y					Y	
Hungary	Y		Y	Y	Y		Y		Y ¹⁷
Ireland	Y								Y ¹⁸
Italy		Y	Y	Y	Y			Y	Y ¹⁹
Luxembourg		Y	Y		Y ²⁰				
Netherlands			Y	Y	Y				Y ²¹
New Zealand	Y		Y						
Norway	Y					Y			Y ²²
Poland	Y			Y	Y				
Romania	Y			Y	Y			Y	
Slovak Republic	Y		Y						
Spain	Y			Y					Y ²³
Sweden		continuous	Y ²⁴						Y ²⁵
United Kingdom	Y								Y ²⁶

8 One or more of the conditions must be met depending on the country.

9 Periods of temporary residence will be added together if there is an obvious intention to return to and continue the stay in Austria.

10 Primary test: resident in the ordinary meaning of the word. Statutory tests: domicile, 183 days and superannuation.

11 Seconded abroad by a Bulgarian institution or company.

12 Resident more than 180 days within a 12 month period

13 Three-year rule

14 May be less than 183 days if principal place of residence is in France.

15 Main test

16 Centre of professional interests

17 Hungarian residence permit required generally. Different rules apply for certain EU/EEA countries.

18 280 days in aggregate in that tax year and the preceding year

19 Individuals who are registered in the Civil Registry for the greater part of the tax period

20 Presence of the family is a major criterion

21 No definition of residence in Netherlands tax law. Residence is determined according to the circumstances

22 270 days over a 36 month period

23 If spouse and minor dependent children qualify as residents.

24 Place of abode normally means the individual is continuously present for a period of more than six months

25 Maintenance of essential ties if not continuously present. Individuals who have been resident in Sweden for at least 10 years are presumed to have maintained essential ties with Sweden and are deemed residents in the five years following their departure (5 year rule).

26 Habitual visits over four consecutive tax years averaging 91 days or more in a tax year.

Annex 12:

Recommendations of the Revenue Powers Group and recommendations of the Law Reform Commission on the Revenue Appeals System [Part 5]

Recommendations of the Revenue Powers Group (summarised by this Commission)

The jurisdiction of the Appeal Commissioners should be extended to include appeals regarding:

- The categorisation of penalties
- The application of interest rates in certain defined situations
- The facts defining a voluntary disclosure, and
- Breach of proposed time limits regarding length of audits to protect against unjustified disruption to a taxpayer's business

The Appeal Commissioners should be empowered to adjudicate in a "Monday morning" type session:

- Whether the Revenue Commissioners have a right in law to seek particular information
- Breach of proposed statutory time limits on audit and/or a request to stay in audit
- Unreasonable disruption to business from the removal of current records, and
- Any dispute as to whether a disclosure is voluntary or otherwise

Subject to the provisos that:

- These arrangements being practicable in terms of resources available to the Appeal Commissioners; and
- The taxpayer being required in all cases to pay the tax which is not in dispute.

Recommendations of the Law Reform Commission (summarised by this Commission)

- The independence of the Appeal Commissioners should be expressly stated in legislation.
- The establishment of an open and formal selection and appointment process for future Appeal Commissioners should be put in place.
- Appointment as an Appeal Commissioner should require a professional legal qualification for a specified period in any of the fields of legal practice, accounting or taxation and also that the candidate is otherwise well qualified. When a vacancy arises such qualifications should be specified irrespective of the qualifications of the remaining Commissioners.
- The appointment of Appeal Commissioners should be put on a statutory footing.
- Responsibility for listing appeals from the Revenue Commissioners to the Appeal Commissioners should lie with the Appeal Commissioners.
- The Appeal Commissioners should specify that, in appropriate and defined circumstances, an Appeal Commissioner may administer an oath to any witness including a taxpayer or an Inspector of Taxes.
- The relevant legislation should be amended to provide that the Appeal Commissioners should control the record of their own decisions and make them available to parties as of right.
- The Appeal Commissioners should issue a concise reasoned determination in appropriate cases within a short period (ideally three months) of the determination, including a summary of the facts

and giving reasons for the decisions. Resources should be provided so that an effective system for the reporting of decisions of the Appeal Commissioners may be established and every appropriate decision is published.

- The Appeal Commissioners' power to issue precepts should apply in relation to any party, and, if necessary, appropriate provision should be made in respect of costs.
- In light of the European Convention on Human Rights (now incorporated into Irish Law) an appeal should lie from the Revenue Commissioners to the Appeal Commissioners in respect of the imposition of penalties but should not extend to mitigation of penalties on grounds of hardship.
- In respect of the imposition of penalties, a taxpayer should have a right of appeal from the Appeal Commissioners to the Circuit Court and, with the leave of the Circuit Court, to the High Court and Supreme Court on a point of law by way of case stated.
- The Revenue Commissioners should have the same rights of appeal as a taxpayer from decisions of the Appeal Commissioners.
- It should be expressly provided that an appeal should lie from the Appeal Commissioners to the Circuit Court and not to a Circuit Court judge.
- The listing of taxation appeals before the Circuit Court should be in accordance with standard practice, that is, that the County Registrar and the Courts Service be responsible for the listing of and arrangements for appeals.

Annex 13: Relevant international pension tax reform [Part 10]

This Annex illustrates briefly how a number of countries have reformed their pension systems in response to the specific challenges they faced.

Mandatory private pensions as a substitute for part of public provision - Sweden

In Sweden the main driver of pension reform was the need to ensure the long term sustainability of State pension provision through a shift to defined contribution schemes combined with a guaranteed minimum State pension.

The Swedish pension system consists of four components – notional retirement pension; individual defined contribution account; guarantee pension and voluntary occupational pensions.

The notional retirement pension is financed by employer contributions representing 16% of an employee's gross annual income and other taxable benefits. This system operates as a pay as you go scheme. The contributions are paid by the employer to the state and notional contributions are made to an individual's account. Retirement benefits are based on total contributions, wage growth and life expectancy calculations. The objective is to make current pension costs sustainable by keeping them in balance with current contribution levels.

The individual defined contribution account is financed by additional contributions from the employer equal to approximately 2.5% of the employee's gross annual income. The employees may choose the level of risk

associated with a fund. If no choice is made, the pension capital is managed by a default fund. Benefits accruing under this part of the system are based on investment performance of the individual accounts.

The above two components have coverage levels in excess of 90%.

Guarantee pension which provides basic security for those individuals who are entitled to pension but have a low income or none at all. Guarantee pension is financed by the national budget.

Voluntary occupational pensions in Sweden are additional to the components set out above. The schemes are regulated by collective agreements between employees and employers. These schemes provide a supplementary income of approximately 10% of final salary.

Mandatory private pensions in addition to public pensions – Australia

The main feature of Australian reform has been the introduction of mandatory pension provision, known as 'compulsory superannuation'. The Australian pension system consists of three pillars:

The age pension is a means tested benefit by reference to all income and assets. The minimum payment is set at 25% of male average industrial wage.

Compulsory superannuation was introduced in 1992. The aim of the scheme at that time was to ensure that as many as possible have access to superannuation and to provide a higher standard of living in retirement. The current level of mandatory employer contribution is set at 9%. It is planned to gradually raise employer contributions to 12%. Employees may make contributions to their fund but are not required to do so.

Voluntary superannuation contributions are encouraged by the provision of tax concessions to employers and the self-employed. Employers can make additional superannuation payments on behalf of their employees if they wish. Employees can make additional contributions if they wish but these are not tax deductible when the contribution is made.

Further reforms have been made to the compulsory superannuation system to enable most employers to claim a tax deduction for the 9% employer contributions to funds for their employees. The self-employed may also be able to claim a tax deduction for their personal superannuation contributions.

Soft-mandatory pensions in addition to public pensions – New Zealand

New Zealand introduced pension reforms to increase supplementary pension provision from what was a traditionally low base. Their soft-mandatory system, known as the Kiwi Saver, utilises auto enrolment of employees to a pension saving scheme and is designed to increase retirement benefits in addition to the state pension provision.

State pensions in New Zealand are known as Superannuation pensions. State pensions are non contributory and not means-tested. The State pension is paid to all residents over 65 and amounts to approximately 32.5% of national gross average earnings.

The Kiwi saver scheme was introduced to encourage the long term savings habit and increase post retirement income. Its long term objective is to assist fiscal sustainability by decreasing the reliance on the working population.

The scheme is voluntary and open to all. Workers are auto-enrolled into a saving scheme upon joining

workforce or changing job. The scheme includes a once-off kick-start payment from the state of \$1,000. Employee contributions can be between 2%-8% of gross salary and can be deducted by the employer.

Employers are required to make contributions of 2% of gross salary. Employees receive a tax credit of up to \$20 per week. Non employees can also participate and also receive a tax credit of up to \$20 per week.

The funds, which are managed by private fund managers, are locked-in until superannuation age. Members can choose a scheme provider and the level of risk associated with a fund; alternatively a default provider is allocated. Contribution breaks are possible in the case of hardship. Pre-retirement access is possible in certain circumstances such as home purchase. However, this excludes access to kick-start or tax credits.

Since its introduction in July 2007 about two-thirds of those who were auto-enrolled have remained in the scheme. The scheme currently has approximately 600,000 members.

Cuts in public pension to leave a greater role for the private sector – Germany

The main element of the German pension system is the state pension which is an earnings-related scheme funded mainly by social contributions paid equally by employees and employers (just under 20% in total). However, the German state pension system is heavily subsidised through general taxation.

In 2001 Germany introduced reforms to the funding of the earnings related scheme outlined above to allow for the introduction of some tax incentives. Under the reforms earnings up to 4% of the 20% contribution ceiling in social pension insurance can be converted into a supplementary pension scheme. The result is to reduce contributions to and payments from the State pension.

Current Pension System – United Kingdom

The United Kingdom (UK) operates a basic state pension and encourages long-term saving for retirement through tax incentives for private pension provision. A range of different private pension products are available including occupational pensions, personal pensions, stakeholder pensions (a type of personal pension) and self-invested personal pensions, with new products in the pipeline.

A *basic state pension* (BSP) payable at a flat rate is a contribution-based benefit that can be claimed once a person has reached State pension age and has sufficient national insurance contribution, or received credits. In addition to the BSP, there is also a *state second pension* (S2P) which is designed to give those on lower earnings, or who may not be able to work full time (e.g. carers), an opportunity to earn a better state pension.

In relation to *private pension* provision, a number of significant reforms were introduced in 2006. In general, tax relief is available for individuals on contributions of up to 100% of UK taxable earnings. While there is no limit on the amount of pension saving that an individual can build up in a pension scheme, two key controls operate to limit the amount of tax relieved savings that can be made. These are:

- **The annual allowance**, set at £245,000 for 2009/2010 operates as a cap to curb excessive annual build-up of pension rights. If the increase in the value of an individual's pension rights or contributions (plus any employer contributions) exceeds the annual allowance, a tax charge at the rate of 40% applies to the excess.
- **The lifetime allowance**, set at £1.75 million for 2009/2010, comes into play when benefits are drawn down from a pension scheme. If an individual's total pension savings exceed the Lifetime

Allowance, any excess is taxed. The tax charge is set at 25% if the excess savings are taken in the form of a pension and 55% if taken as a lump sum.

Both the lifetime and annual allowances have increased each year since their introduction but from 2010/2011 will be fixed at £1.8 million and £255,000 respectively for at least the following five tax years.

Employer contributions do not count against an individual's tax relief. These rules apply to everyone irrespective of the type of pension scheme involved.

In the case of occupational pension schemes, relief is granted through the payroll with basic or higher rate relief being granted automatically. For contributions to personal pensions the pension provider claims tax back from the state at the basic rate of 20%, with higher rate taxpayers claiming the difference through a tax return or claim. Non-taxpayers can make contributions to a personal pension and benefit from basic rate tax relief (20 per cent) on the first £2,880 a year contributed.

Future Reforms

Further reforms to the State and Private Pension regimes are in the pipeline. These include

- Tax relief on pension contributions for individual's with an annual income of £150,000 or more is to be restricted from 2011/2012 with relief being tapered away so that for those earning over £180,000 relief will be worth 20%, the same as to basic rate taxpayers
- From 2012 it is planned that all eligible workers, who are not already in a good quality workplace pension scheme, will be automatically enrolled into either their employer's pension scheme or a proposed new savings vehicle known as a '*personal account scheme*', without any active decision on their part. All eligible workers will have to actively decide not to be in a scheme if they feel it is not a suitable form of personal saving for their circumstances. To encourage participation employees' pension contributions will be supplemented by contributions by employers and tax relief. In that regard, for the first time all employers will be required to contribute a minimum of 3% of qualifying pensionable earnings to an eligible employee's workplace pension scheme. This will supplement the 4% employee contribution and around 1% from the State in the form of tax relief. The employer contributions are to be phased in so that the burden on employers is minimised
- The proposed new personal accounts scheme is intended to be a straightforward opportunity for workers to contribute to a high-quality, low-cost savings vehicle. The accounts are expected to be trust-based defined contribution occupational type pension products aimed at providing people with a simple low-cost way of pension saving. There is likely to be a choice of investment funds, which may include options such as social, environmental and ethical investments as well as branded funds. For those not wishing to make an investment choice, a default fund will be available with members being automatically enrolled into the default fund if no investment choice is made. Those joining personal account schemes will be able to continue to save in their account even after they leave the workplace or move to another employer that does not offer personal accounts.

