

OFFICE FOR SOCIAL INCLUSION – NAP/INCLUSION PROCESS

Report for the Department of Finance

OBJECTIVE: To facilitate access by all to resources, rights, goods and services

Commitment	To the extent that there is any scope for personal tax reductions, progress will continue to be made towards removing those on the minimum wage from the tax net and moving towards the target where 80% of all earners pay tax at not more than the standard rate.
Summary Assessment	In Progress
Will Target be met on time	Not time bound. Target was achieved in Budget 2005. However, the minimum wage was subsequently increased in May 2005. The re-exemption of the minimum wage from taxation will be addressed in the context of future budgets, consistent with overall economic and budgetary strategy.
Indicator (s)	The percentage of annualised equivalent of minimum wage free of tax
Progress being made	The target of exempting the minimum wage from the tax net was achieved in Budget 2005. However, as a result of the subsequent increase in the value of the minimum wage to €7.65 per hour from 1 May 2005, the position is that, in 2005, a single person on the minimum wage will have 94.4% of their income free of tax. This compares to a position pre-Budget 2005 where only 90% was free of tax. When the minimum wage was introduced in April 2000, less than 64% of the minimum wage annualised was free of tax. Budget 2005 also increased the Age Exemption limits for income tax once again. In four years, the limits have increased by well over 50% whereas inflation for the same period is expected to increase by slightly less than 13.5%. Under this system, those aged 65 or over are exempt from tax up to specified limits – for 2005 these limits are €16,500 in the case of a single or widowed person and €33,000 in the case of a married couple where one or both are aged 65 or over. Over the last eight budgets, 75,700 elderly people have been taken out of the tax net.
Areas where intended implementation not being achieved	
Data sources	

used to monitor progress	
Areas where progress made/proposed to address data or indicator issues	
Data/Indicator Deficiencies	