A new model of Basic Income for Ireland

11TH ANNUAL NERI LABOUR MARKET CONFERENCE – BELFAST – 23/05/2023

CLLR. DAVE QUINN AND PROF. JOHN BAKER

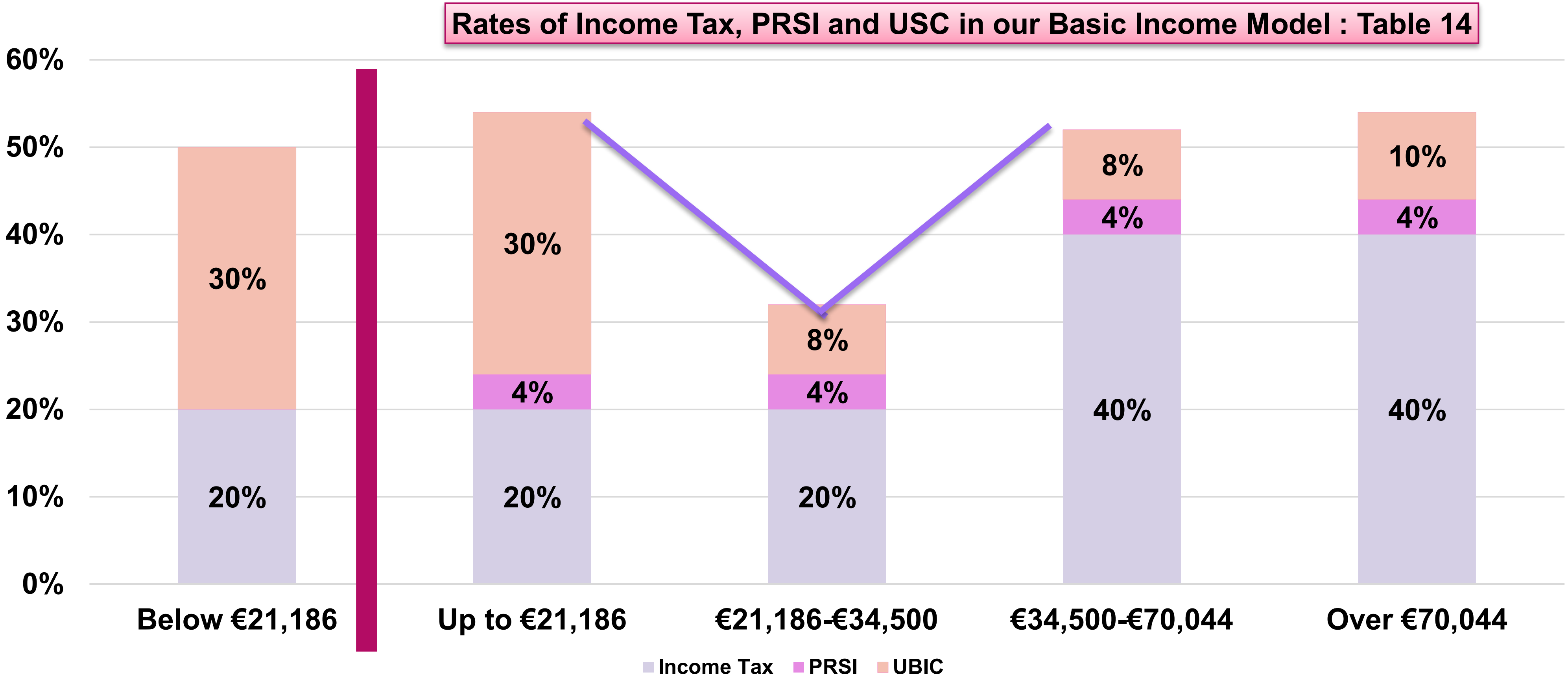
Introduction

Aims	More equal distribution of nett income	Relatively high level of basic income
	Progressive rates of effective tax	Transparent, intelligible central funding mechanism
Irish Income Tax	Income Tax	Employee PRSI
	Universal Social Charge, or USC	Employer PRSI
Central Proposal	Use USC as its primary funding mechanism, and in doing so, re-label it as 'Universal Basic Income Contribution', or UBIC	
	Apply a high rate of UBIC on first band of income to help deliver our aims	

Our model in more detail

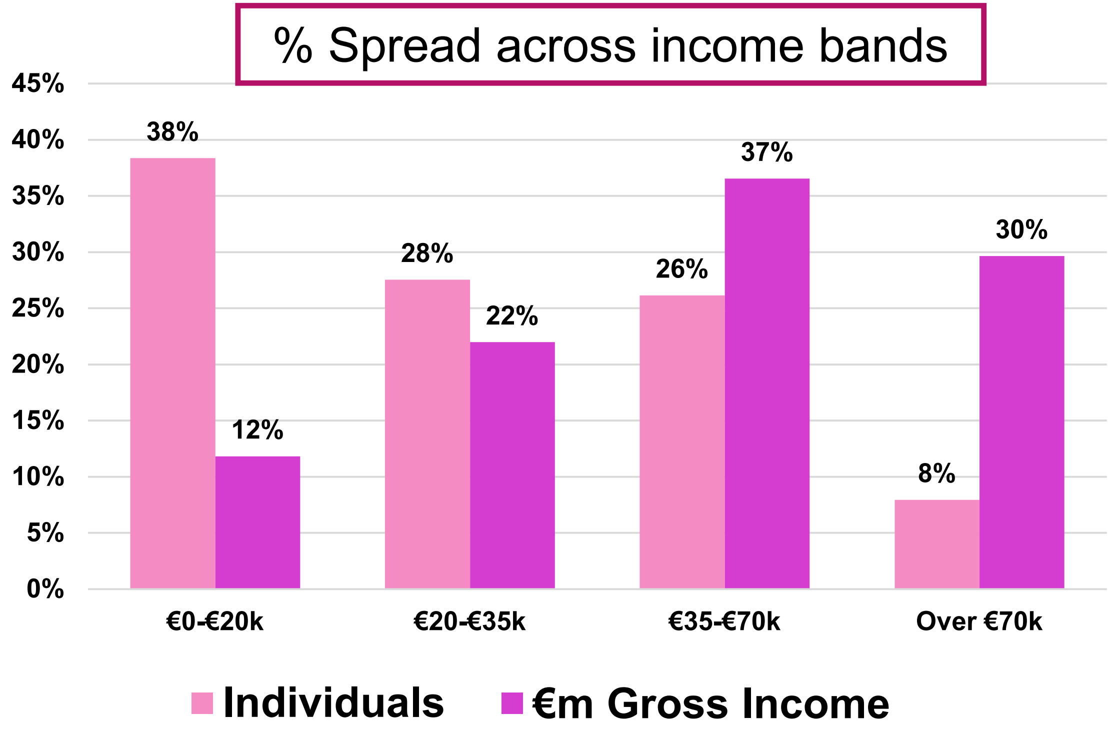
- Basic income paid at existing core social protection rate (€203/week in 2018)
- Keep the same Income Tax and Employee PRSI rates
- Apply 30% USC/UBIC on first band of income and smaller increases for higher bands
- Apply higher rates of Employer PRSI on a rising scale
- Remove most (but not all) tax credits, reliefs and allowances
- Apply new form of pension relief – similar to the proposed Auto-Enrolment rules
- Replace core Social Protection transfers with UBI
- Maintain Social Protection's means-testing and qualifying criteria for all premiums

Marginal Rates of Tax by Income Band



Core 2018 Data used in our Model

€ Band	Individuals	Gross Income
0 - €10k	515,554	€2,522m
€10k-€12k	144,801	€1,591m
€12k-€15k	211,187	€2,839m
€15k-€17k	126,397	€2,022m
€17k-€20k	189,048	€3,499m
€20k-€25k	306,182	€6,888m
€25k-€27k	119,199	€3,098m
€27k-€30k	167,044	€4,760m
€30k-€35k	259,895	€8,439m
. . .	. . .	. . .
Totals	**3,094,387**	**€105,491m**

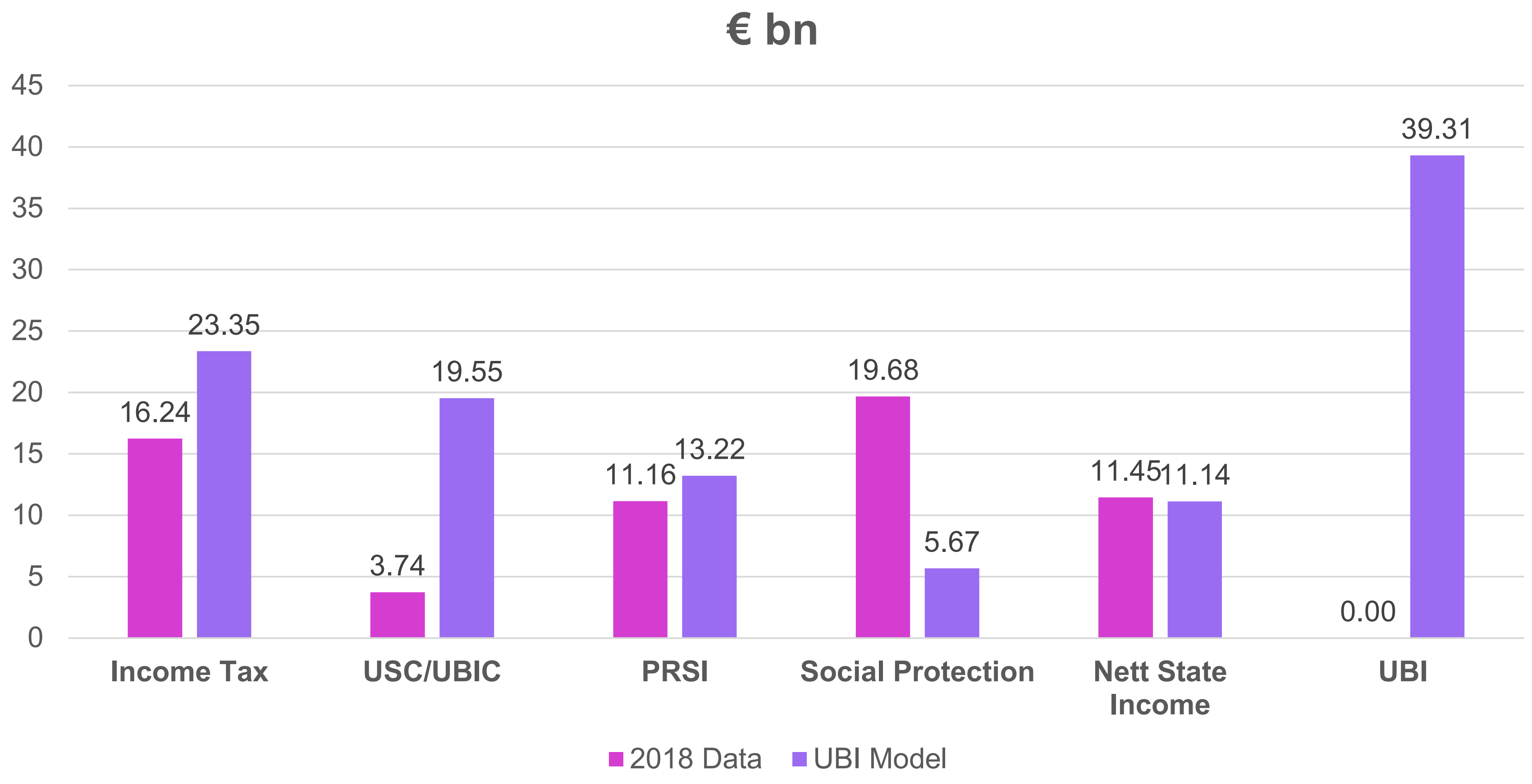


https://www.revenue.ie/en/corporate/documents/statistics/income-distributors/individualised-gross-income.pdf

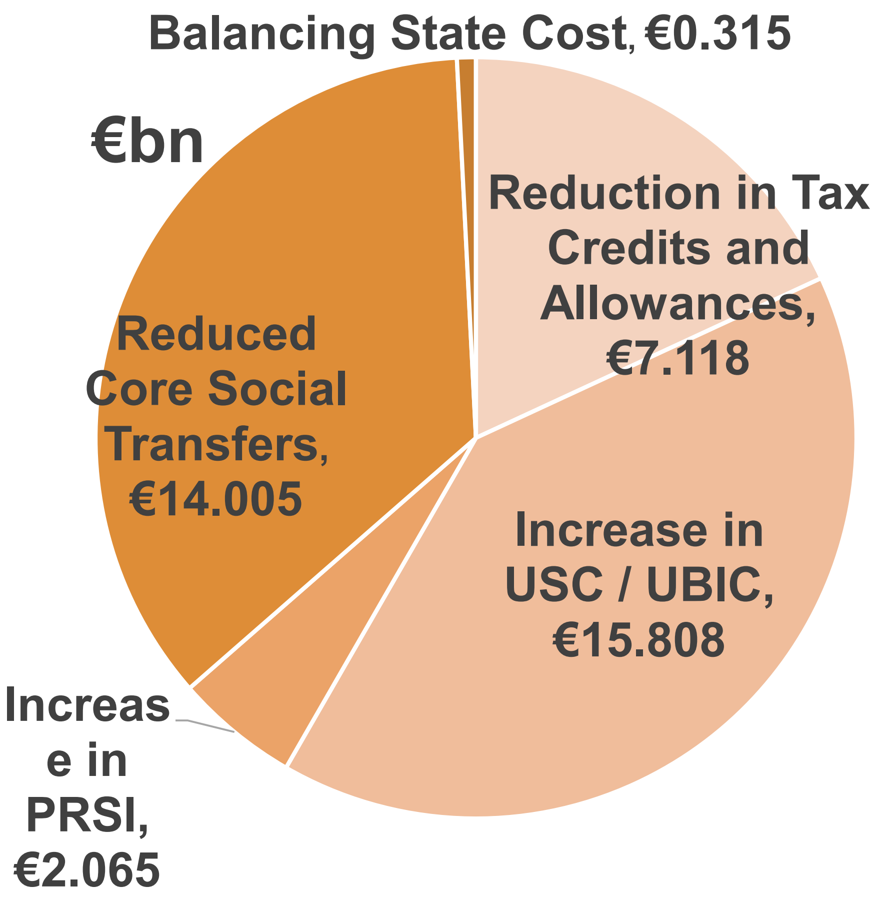
Basic Income Model Outcome

Should ddddd	2018 Extracts		Our Model Outcome	
	Money In	Money Out	Money In	Money Out
UBI Payments to All Adults				€39,311m
Income Tax, with existing credits and reliefs	€16,235m			
Income Tax, with no credits and reliefs			€25,409m	
Provision for revised pension relief				€888m
Provision for selected other reliefs			€-1,168m	
USC / UBIC	€3,738m		€19,546m	
PRSI (Employee and Employer)	€11,155m		€13,220m	
Social Protection Payments		€19,676m		€5,840m
Reduction in Student Grant payments				€-169m
Nett State Income	€11,452m		€11,137m	

Differences between Actual and UBI Model



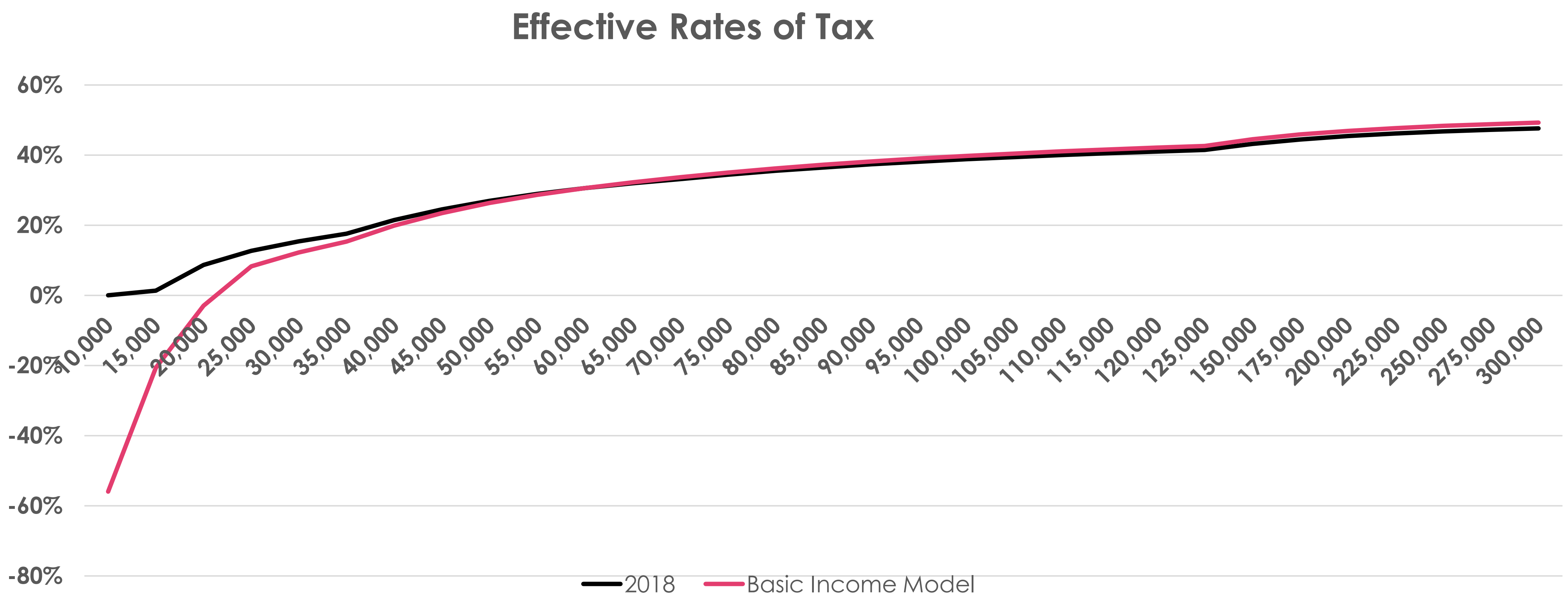
Funding our €39.31bn UBI Payment



Sources of Funding for UBI Payment	€bn
Increase in USC / UBIC	€15.808
Reduced Core Social Transfers	€14.005
Reduction on Tax Credits & Allowances	€7.118
Increase in Employer PRSI	€2.065
Balancing State Cost	€0.315
Total Cost of UBI Payment	**€39.311**

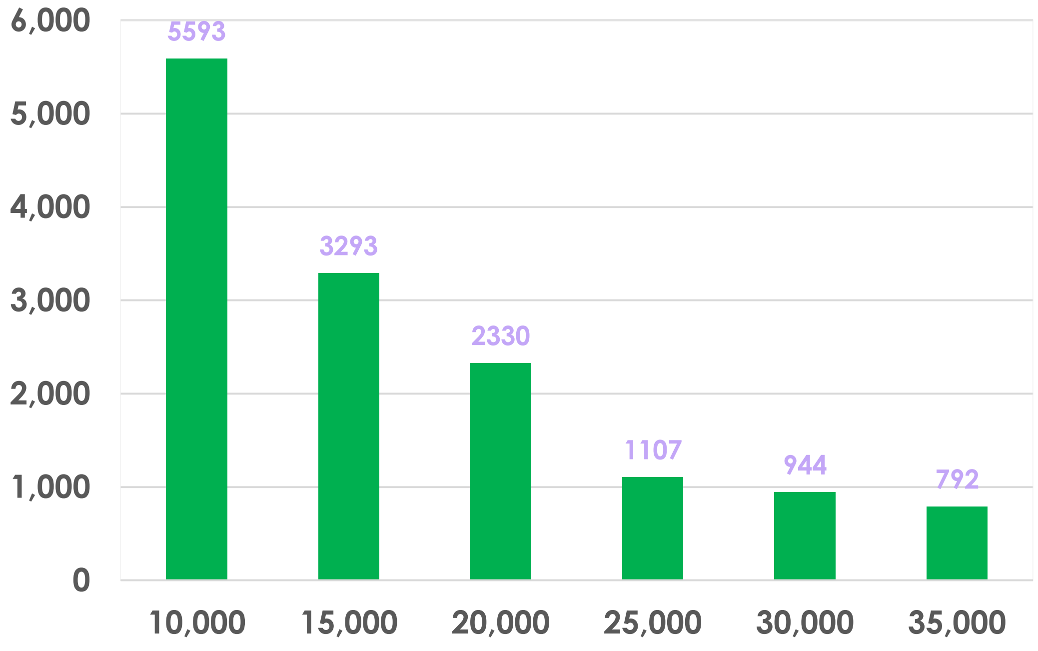
See Table 12 on Page 16

Effective Tax Rates



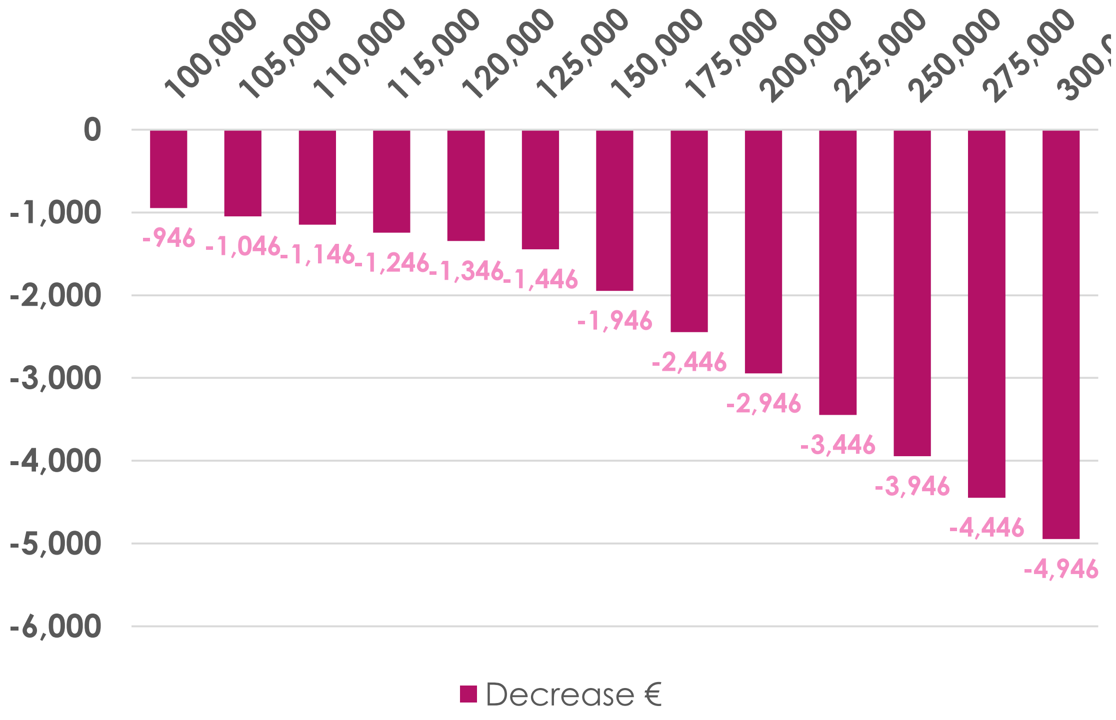
Changes in Nett Pay – Lower and High Earners

Nett Pay Increase: Lower Paid



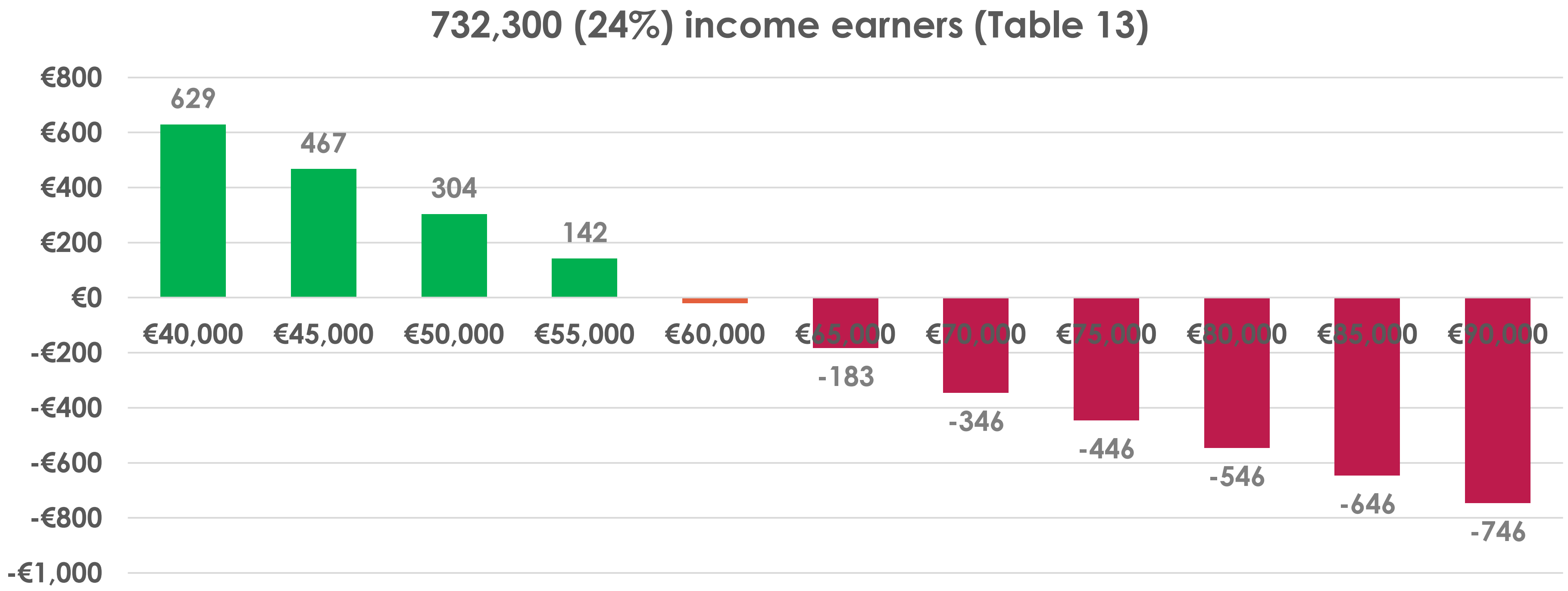
1,744,000 (56%) of income earners

Nett Pay Reduction: Higher Paid



102,500 (3%) of income earners

Changes in Nett Pay for Upper-Middle Earners



477,800 individuals

254,300 individuals

Illustration of payslip for employees through the existing tax system

Old 2018 Calculations

Old Payslip for Week 1	07/01/2018
Salary	**691.74**
PAYE Tax	**80.34**
PRSI Employee	**27.67**
PRSI Employer	75.05
USC	**19.15**
Nett Pay	**564.58**

New UBI Model Calculations

New Payslip for Week 1	07/01/2018
Salary	**691.74**
PAYE Tax	**143.81**
PRSI Employee	**27.67**
PRSI Employer	86.47
UBIC	**144.98**
UBI Payment	**203.00**
Nett Pay	**578.28**

Higher Level of Basic Income Payment

How our model could apply to weekly rate of €250

- Cost of increased payments is ~€7bn
- Continue to define first income band as 2 x BI rate: Yield ~€2bn
- Raise all USC rates by 5% in every income band: Yield ~€5bn
- Overall, the highest marginal rate would be 59%.

A question on which we ask for feedback

Is the proposed tax on low incomes too high?

- All low earners are better off
- Reduced labour supply of low-paid workers isn't necessarily bad
- Existing system withdraws benefits at more than 50% of earnings.

Concluding Remarks

A New Model of Basic Income for Ireland

- More equal distribution of nett income
- Progressive rates of effective tax
- Relatively high level of Basic Income
- Transparent, intelligible central funding mechanism.

A New Model of Basic Income for Ireland

Presented by:

- Prof John Baker, UCD and Basic Income Ireland
- Cllr Dave Quinn, DLRCoCo, Social Democrats and Basic Income Ireland

Available at: www.basicincome.ie

Thank you