January 2010

Citizens Information Board
information · advice · advocacy

Volume 37: Issue 1
ISSN 0790-4290

Relate

The journal of developments in social services, policy and legislation in Ireland

Contents

Budget 2010

The Budget for 2010 was announced on 9 December 2009. It included proposals for changes in social welfare, health, education, and income tax. The social welfare changes announced in the Budget and some other changes are being brought into effect by the Social Welfare and Pensions (No. 2) Act 2009. Some of the other social welfare changes which were announced will be implemented in a Social Welfare Bill in 2010. The Finance Bill which will provide the statutory basis for the changes in income tax will be introduced in early 2010. It is likely to include other changes as well. Legislation is also required to bring some of the health changes into effect.

The Budget included provisions for savings of almost €1 billion in day-to-day spending by Government. This means that a number of programmes will have less money available than in 2009. Precisely how this will affect some programmes and services is not yet clear.

Here we describe the main changes announced in the Budget. Further information is available at: www.budget.gov.ie

Social welfare

Reductions in payments

All social welfare and Health Service Executive (HSE) weekly payments, except those payable to people aged 66 and over, are reduced from January 2010 by between 3.5% and 4.2%.

The reductions in the personal rate of weekly payments are mostly between €8.20 and €8.50 a week. The maximum personal rates of the main weekly payments, for example, Jobseeker's Benefit, Jobseeker's Allowance, Illness Benefit, One-Parent Family Payment, are all reduced by €8.30 a week to €196 a week.

The increases for qualified adults which are payable with most weekly payments are also reduced from January 2010. The reduction is generally €5.50 a week. If you are aged 66 or over and your qualified adult is aged under 66, there is no reduction in the qualified adult rate.

INSIDE: Jobseeker's Allowance and weekly SWA p2; Child Benefit p2; National Childcare Investment Programme p4; Financial Emergency Measures in the Public Interest (No. 2) Act 2009 p8

The maximum personal rate of the State Pension (Contributory) remains at €230.30 for people aged between 66 and 80 and at €240.30 for those aged 80 or over.

The Domiciliary Care Allowance (€309.50 a month), the Respite Care Grant (which is paid annually), the Fuel Allowance and the Back to School Clothing and Footwear Allowance have not been cut.

Carers

The maximum rate of Carer's Allowance is reduced by €8.50 to €212 for people aged under 66 years of age. It remains at €239 for those aged 66 and over.

Maternity Benefit

The maximum rate of Maternity Benefit and Adoptive Benefit is reduced by €10 a week and the minimum rate is reduced by €4.50. The minimum rate for 2010 is €225.80 and the maximum rate is €270.

Jobseeker's Allowance and weekly SWA

The maximum rates of Jobseeker's Allowance and of the weekly rate of Supplementary Welfare Allowance (SWA) are reduced as described above. The maximum payable to new applicants under the age of 25 who are not in training or education is further reduced from January 2010. The reduction applies to new applicants from January 2010. New applicants aged 20 and 21 get €100 a week while new applicants aged 22, 23 and 24 get €150 a week. The qualified adult rate applicable to these payments is also reduced – to €100 a week for those aged 20 or 21 and to €130.10 a week for those aged 22, 23 and 24. New applicants under 25 years of age who have dependent children remain entitled to the normal adult rate of payment.

The maximum rate payable to young people aged 18 and 19 was already reduced in May 2009. When they reach 20 or 21, they continue to receive the lower rate.

The full adult rate of Jobseeker's Allowance is paid to those aged under 25 who qualify for the Back to Education Allowance, participate in a full-time FÁS training course, or participate in a full-time Youthreach course for young early school leavers or a full-time course in a senior Traveller training centre. It is also paid to people who transfer to Jobseeker's Allowance immediately after exhausting their entitlement to Jobseeker's Benefit and to those who transfer from Disability Allowance directly to Jobseeker's Allowance.

If you are aged 24 or under and already on the full adult rate of Jobseeker's Allowance, if you then get a job you remain eligible for the full adult rate if you lose that job within 12 months.

Refusal of job offer or activation measure

Your personal rate of Jobseeker's Allowance and weekly SWA may be reduced to €150 a week if you refuse a job offer or refuse to participate in an activation measure (training or education). The full details of this are not yet known. It will be provided for in a Social Welfare Bill in 2010. The date from which it will apply is not yet known.

Payments for children

Child Benefit

The amount of Child Benefit is reduced by €16 a month from January 2010. This means that the new rates are €150 a month for each of the first two children and €187 a month for each subsequent child.

Child Benefit costs approximately €2.5 billion in 2009 – that is about 12% of all social welfare spending.

The government announced its intention last year to either tax or means test Child Benefit. Both options proved to be administratively very complex so it was decided to reduce all payments and compensate families getting welfare and Family Income Supplement (FIS) with increased payments.

Increase for a qualified child

The increase for a qualified child payable with the various social welfare benefits is increased by €3.80 a week to €29.80 from January 2010. This is to compensate for the reduction in Child Benefit.

There are approximately 363,300 children in respect of whom full increases for a qualified child are payable and 128,600 in respect of whom half-rate increases are payable. (This latter group gets an increase of €1.90 a week.)

Family Income Supplement

The income threshold for FIS is increased by €6 a week for each child. The new thresholds are:

Number of children	€
1 child	506
2 children	602
3 children	703
4 children	824
5 children	950
6 children	1,066
7 children	1,202
8 children	1,298

The FIS change means that there should be an increase of €4 a week for each child. Approximately 57,380 children are in families who receive FIS.

Early Childcare Supplement

The Early Childcare Supplement ceased to be paid at the end of December 2009 as previously announced.

Other benefits

Rent Supplement

Maximum rent levels will be reviewed early in 2010. New limits will apply to all new tenancies or renewals from April 2010. Existing tenants will not be affected by this change.

It is already a requirement of the Rent Supplement scheme that you must be able to show that you could reasonably have afforded the rent at the start of the tenancy. This requirement has now been put into primary legislation.

It is also a requirement that you must have been a tenant or living in homeless accommodation for at least six months. This is now extended to include time spent in an institution, for example, in a residential home for people with disabilities.

Mortgage Interest Supplement

The Social Welfare and Pensions (No. 2) Act 2009 includes a provision that the amount of mortgage interest which is taken into account in deciding the amount of Mortgage Interest Supplement is the total payable less the following: the amount of mortgage interest tax relief; the amount of any mortgage allowance or mortgage interest subsidy payable by a local authority under a shared purchase scheme.

Treatment Benefit

The range of benefits available under the Treatment Benefit Scheme is being reduced. For 2010, the scheme only provides for free dental and optical examinations and the medical and surgical appliances scheme. So, there is no assistance with the cost of dental treatment or glasses. The hearing aid scheme continues as before. The situation will be reviewed after 2010, so it is not yet clear if this is a permanent change.

The changes apply to claims made on or after 1 January 2010. Dental patients who made an appointment and had their eligibility confirmed before this date may be assessed under the previous rules, as can patients who are continuing or completing treatment that had commenced before 1 January 2010.

Civil service career breaks

The Special Civil Service Incentive Career Break Scheme gives certain civil servants the right to apply for three years special leave without pay but with an incentive payment. The Act provides that payments made under the scheme do not come within the earnings disregards which apply to various social assistance payments, for example, Jobseeker's Allowance and Rent Supplement. This means that these payments are fully assessable as means.

Habitual residence

The Act provides that a person who does not have a right to live in Ireland cannot be habitually resident here and that asylum seekers cannot be habitually resident here.

State Pension (Contributory) and the self-employed

If you are self-employed, then you must have actually paid all of the self-employment PRSI contributions for which you are liable, in order to qualify for a State Pension (Contributory). Up to 31 December 2009, if you paid these contributions after the date on which you claimed the pension, the pension was payable from the date of the claim. The Act changes this so that, from 1 January 2010, in these circumstances you will be paid the pension only from the date the contributions are paid. A similar change is made in respect of the Widow's/Widower's (Contributory) Pension.

PRSI

There is no change in the rates of PRSI or in the threshold for employees' PRSI.

Employers' PRSI

While the employer PRSI contribution is not changed, there is a new PRSI incentive for employers to take on more employees. This means that, where an employer creates a new job and takes on a person who has been unemployed for six months or more, the employer will not have to pay any employer's PRSI for the first year of that employment. It is not yet clear when this proposal will take effect as it will be provided for in a Social Welfare Bill in 2010.

Refund of PRSI contributions

There are limited circumstances in which a refund of PRSI contributions can be made. A refund could arise if PRSI contributions were deducted at the incorrect rate or if you were being treated as an employee when you were actually self-employed. The Social Welfare and Pensions (No 2) Act 2009 provides that a claim for a refund must be made within four years of the contribution year in which the PRSI contributions were made. This brings the situation into line with that which applies to tax refunds. This limit does not apply to any claim made up to 31 December 2009 or to the return of contributions as a result of the decision of a deciding officer or an appeals officer which is made as a result of a request for a decision on insurability which was made before 31 December 2009.

Welfare fraud

The Act provides for new powers to deal with social welfare fraud. These new powers include the following:

- A social welfare inspector who is accompanied by a Customs and Excise officer may stop a vehicle and question anyone in the vehicle where the inspector reasonably suspects that it is being used for employment or self-employment; the presence of a Garda is no longer essential.
- An authorised official appointed by the Minister for Social and Family Affairs may serve notice on a financial institution so that records which may contain information about possible welfare fraud are made available for inspection. This would enable the Department to establish, for example, that account withdrawals were only being made in another country.
- Information may be transferred to the authorities in other member states of the EU or in countries with which Ireland has a bilateral social security agreement.

Health

Drugs Payment Scheme

The monthly threshold for the Drugs Payment Scheme is increased from €100 to €120 from 1 January 2010.

Prescription charge

A new prescription charge of 50 cent is being introduced. This requires legislation and it is intended to implement the charge from April 2010. At present, medical card holders and holders of long-term illness cards get prescribed drugs and medicines free of charge. The new charge applies to them and is subject to a maximum of €10 for a family in a month.

Mental health

Capital investment in mental health services will be financed from the sale of HSE assets. This investment is needed for the implementation of the mental health policies as set out in *A Vision for Change*. The capital programme covers a range of mental health services including acute psychiatric units, child and adolescent units, day hospitals, community nursing units and high-support hostels.

Innovation Funding for disability and mental health

Innovation Funding of €3m is being provided to The Person Centre. This is a non-profit organisation which, with support from The Atlantic Philanthropies, has established a fund to support transition from institutional to person-centred models of care in disability and mental health services. Proposals from service providers will be invited jointly by The Person Centre and the HSE.

Vulnerable adults

Proposals are to be brought forward in early 2010 to protect vulnerable adults with disabilities who are in residential services provided by or on behalf of the State. It is not clear whether this is totally separate from the introduction of the Mental Capacity Bill which proposes a new system of guardianship for adults with impaired capacity (see *Relate*, July 2009).

Home Care Packages

Extra funding is being allocated to Home Care Packages to allow a further 1,000 people to avail of them in 2010. In 2009, 11,500 people availed of Home Care Packages.

Dental treatment

Spending on the Dental Treatment Services Scheme will be limited to its 2008 level of €63 million. This is the scheme whereby adult medical card holders may obtain dental services from dentists in private practice under contract to the HSE. See *Treatment Benefit*, page 3.

Children

Children in need of care

There is an allocation of €15 million for the Ryan Report Implementation Plan. This is to enable counselling services to be enhanced and to ensure that an extra 200 social workers can be recruited in 2010. The Implementation Plan includes a commitment to 270 extra social work positions between 2009 and 2011. The HSE currently employs 2,129 social workers.

This funding is also being provided to start the process of registration and for the inspection system for residential services for children with disabilities.

National Childcare Investment Programme

The allocation to the National Childcare Investment Programme (NCIP) is reduced by €2.5 million. This is to come from the Community Childcare Subvention Scheme (CCSS). Some of the childcare places currently supported under that scheme will be funded in 2010 under the new Early Childhood Care and Education Scheme which is starting in January 2010.

The CCSS is due to end in 2010. It is to be replaced by a new scheme in September 2010 with the following changes:

- Parents currently participating in a FÁS or VEC course receive childcare support of up to €133.50 a week. It is proposed to increase this payment to €170 a week.
- Parents who are unemployed qualify for the top rate of subvention – €100 a week (Band A). This band will be widened to take in low-income working parents who qualify for Family Income Support (FIS).
- Band A parents on Jobseeker's Benefit or Jobseeker's Allowance will continue to be eligible for the top rate of subvention on a part-time basis (that is up to five hours of childcare a day).

Low-income working parents above the FIS threshold, for example parents holding medical cards or GP Visit Cards, will be classified as Band B and their current weekly subvention rate will increase from €45 to €50 a week.

Education, training and employment

Student grants and allowances

Student grants and scholarships are being reduced by 5% from January 2010. This applies to existing and new students.

Allowances to participants on courses such as Vocational Training and Opportunities Scheme (VTOS) and Youthreach are also reduced in line with social welfare and FÁS training allowances. This applies to all existing and new participants.

New recipients of the Back to Education Allowance and new recipients of VTOS allowances for Post-Leaving Certificate courses will not be eligible for student grants. They will continue to have any fees payable to colleges and their student service charges paid for them.

Training allowances

The allowances paid to people in training and on schemes such as Community Employment are reduced in a similar manner to social welfare payments.

The FÁS Training Allowance to new entrants who are not entitled to Jobseeker's Benefit or Jobseeker's Allowance is discontinued.

Psychological services

The National Educational Psychological Service (NEPS) is to allocate funding to employ an additional 28 psychologists. This will allow NEPS psychologists to provide direct service to all primary and second-level schools and an enhanced service to special schools and units.

Local and community development

Local government

The Minister for the Environment, Heritage and Local Government has announced the establishment of a Local Government Efficiency Review Group. It is to review the numbers employed in local authorities and their cost base and expenditure, with a view to reporting on:

- Specific recommendations to reduce costs
- The effectiveness of particular programmes
- Optimal efficiency in the way programmes are delivered and
- Any other proposals to enhance value for money in the delivery of services at local level

It is due to report in mid-2010.

Community Development Programmes

The Local Development Social Inclusion Programme and Community Development Programmes (CDPs) came to an end in December 2009. They are to be replaced by a new programme, the Local and Community Development Programme which will be put into effect during 2010. The aim of this programme is to "tackle poverty and social exclusion through partnership and constructive engagement between Government and its agencies and people in disadvantaged communities".

The Department of Community, Rural and Gaeltacht Affairs has completed a review of the performance of Community Development Projects funded under the Community Development Programme. The Department is seeking alignment between the CDPs and the partnerships and integrated local development companies. The new programme will be part of the implementation of this aim.

Community Support for Older People

A revised Scheme of Community Support for Older People will be introduced early in 2010.

Taxation

The tax bands and rates are unchanged. The health levy is unchanged. The income levy is largely unchanged. Farmers are not liable for the income levy in respect of certain expenditure incurred by farmers to comply with the requirements of the EU Nitrates Directive 91/676/EEC.

Some of the tax changes were brought into effect on the night of the Budget. Others came into effect on 1 January 2010. The Finance Bill which will be published in early 2010 will provide the details of some of the proposed measures; it is likely to also include other changes which have not yet been announced.

Mortgage interest relief

Mortgage interest relief generally applies only for the first seven years of the loan. This is now being extended for those who are currently qualified for the relief or will qualify up to 2013.

This means that:

- If your entitlement to mortgage interest tax relief is due to run out between 2010 and 2017, the entitlement is continued until 2017
- If you take out a loan before 1 July 2011 which attracts mortgage interest tax relief, you will get that relief for seven years – until 2017
- There will be transitional arrangements for those who take out a qualifying loan after July 2011 and before the end of 2013; the details of these arrangements are not yet known.

Mortgage interest relief will be abolished entirely by the end of 2017.

First-time buyers

First-time buyers get mortgage interest tax relief at 25% for the first two years and 22.5% for the next three years. They then get relief at the standard rate (20%) for the remaining years.

The maximum amount of interest that attracts tax relief is €10,000 for a single person and €20,000 for a widowed person or married couple.

Other buyers

Non-first-time buyers get tax relief at 15%. The maximum amount of interest which attracts tax relief is €3,000 for a single person and €6,000 for a married couple or widowed person.

Other taxation changes

Carbon tax

A carbon tax at a rate of €15 per tonne is being introduced on fossil fuels. The tax was applied to petrol and auto-diesel on the night of the Budget, 9 December 2009. It will be applied from 1 May 2010 to kerosene, marked gas oil, liquid petroleum gas, fuel oil and natural gas. It will also apply to coal and commercial peat but the date of this is not yet known. The carbon tax does not apply to electricity.

There will be a vouched fuel allowance scheme to offset the increases for low-income families dependent on such fuels – details of this are not yet known.

VAT

The standard rate of VAT is reduced from 21.5% to 21% from 1 January 2010.

Restrictions on amount of relief

Since 2007 there have been restrictions on the total amount of tax relief any individual can get. This has meant that, if you have income of over €250,000 a year, you could not reduce your effective tax rate below 20%. In 2010, the effective tax rate is 30% and it applies to incomes over €125,000. There may be further limits on tax reliefs in the Finance Bill.

Non-residents

Irish nationals who are domiciled in Ireland and who have worldwide income of €1 million or more and Irish-located capital of €5 million or more will be required to pay an Irish domicile levy of €200,000 a year regardless of where they are resident for tax purposes.

Pension lump sums

There is no immediate change in the taxation of pension lump sums. The Minister for Finance has said that he accepts that pension lump sums below €200,000 should not be taxed. The possible taxation of amounts above this will be considered in the context of the National Pensions Framework which the Minister for Social and Family Affairs is expected to publish shortly.

Car scrappage scheme

A car scrappage scheme is being introduced on 1 January 2010, to run until 31 December 2010. This provides that you may pay €1,500 less in VRT if you scrap a car which is over 10 years old and buy a new car with low emission levels.

Proposed new taxes

Property tax

The Government has accepted the recommendations of the Commission on Taxation on the need for a property tax. This has already been stated in the Renewed Programme for Government (October 2009). This cannot be introduced until a system of land valuation is in place. The Minister said that work will shortly begin on the registration of ownership and the valuation of land.

Water charges

The Renewed Programme for Government also includes a proposal to introduce a system of water metering for homes. Preparations for this are underway. Water charges, when introduced, will be based on consumption above a free allocation. Further details will be announced by the Minister for the Environment, Heritage and Local Government.
These charges, like the charge on second homes, will finance the provision of local services by local authorities.

Summary of PRSI and levies 2010

PRSI

The PRSI structure for most employees is now as follows:

- If you earn less than €352 a week, you pay no PRSI; your employer pays 8.5% and you are covered for benefits in the normal way.
- If you earn more than €352 a week, you pay PRSI on all your income between €127 a week and €1,443 a week (€75,036 a year). Your employer pays 8.5% on income up to €356 a week and 10.75% on all income above that. There is no ceiling on employer PRSI.

The self-employed pay 3% on all their income with a minimum contribution of €253 a year.

Health levy

- If you earn less than €500 a week, you pay no levy (€26,000 per year for the self-employed)
- If you earn between €500 and €1,443 a week (€75,036 a year), you pay 4% on all your income
- If you earn more than €1,443 a week, you pay 5% on the amount above €1,443

You do not have to pay the health levy if you have a medical card or are over 70, if you are getting One-Parent Family Payment, Deserted Wife's Benefit/Allowance or the Widow's/ Widower's Pension.

The health levy is applied to taxable income. It does not apply to pension contributions (or Additional Voluntary Contributions) paid by employees but it does apply to pension contributions paid by the self-employed.

Income levy

The income levy applies to all income except social welfare and similar payments such as social welfare payments from abroad and community employment payments. It applies to gross income from all sources before any tax reliefs, capital allowances, losses or pension contributions.

The rates are as follows:
2% on income up to €75,036 (€1,443 a week)
4% on income from €75,037 to €174,980 (€3,365 a week)
6% on income above €174,980.

The levy does not apply if your income is less than €15,028 a year.

If you are aged 65 or over you do not have to pay any income levy if you have an income of €20,000 or less for a single person (or €40,000 or less for a married couple).

The exemption limits in all cases apply to income from sources other than social welfare payments. So, for example, if you are a married couple over the age of 65, you are liable to pay the income levy only if you have income of €40,000 above your social welfare pension.

Medical card holders are exempt from the levy.

Public sector pension levy

Annual pay	*Pension levy*
First €15,000	no levy
Between €15,000 and €20,000	5%
Between €20,000 and €60,000	10%
Above €60,000	10.5%

Changing the tax and social insurance system

The Minister for Finance said that there is a need to "transform how we tax incomes, to simplify it, to make it fairer and more broadly based".

It is proposed to introduce a new system in 2011. This involves two charges on income:

- A universal social contribution to replace employee PRSI, the health levy and the income levy; this will be payable by everyone at a low rate on a wide base. It is not yet clear precisely what is involved. At present, people aged 66 and over do not pay any PRSI or health levy and they may be exempt from the income levy. The current income limits for PRSI and the health and income levies are outlined above.
- Income tax will apply on a progressive basis to those with higher incomes.

Public sector pay and pensions

In addition to the Pension Levy, public service salaries are being reduced as follows:

Salaries under €125,000 a year

- 5% on the first €30,000
- 7.5% on the next €40,000
- 10% on the next €55,000

This produces overall reductions in salaries ranging from 5% to just under 8% for salaries up to €125,000.

Salaries over €125,000 a year

- 8% on salaries of up to €165,000
- 12% on salaries up to €200,000
- 15% on salaries of €200,000 or more

The Citizens Information Board provides independent information, advice and advocacy on public and social services through citizensinformation.ie, the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides advocacy services for people with disabilities.

Head Office
Ground Floor
George's Quay House
43 Townsend Street
Dublin 2

t + 353 1 605 9000
f + 353 1 605 9099
e info@ciboard.ie
w www.citizensinformationboard.ie

Financial Emergency Measures in the Public Interest (No. 2) Act 2009

The cuts in public sector pay are provided for in the Financial Emergency Measures in the Public Interest (No. 2) Act 2009.

The Act applies to the same people as the public sector pension levy, that is, the Civil Service, the Garda Síochána, the Army, the HSE, local authorities, vocational educational committees, primary and secondary schools, third-level institutions, and the non-commercial state bodies.

The reductions in pay apply to all remuneration – this includes allowances (but not re-imbursement of expenses) and overtime payments.

The reductions do not apply for the purposes of the calculation of the pension entitlements for already retired public servants or for those who will retire during 2010. This provision may be extended beyond 2010.

The Act gives power to the Minister for Finance to exempt or vary the reduction in pay rates in respect of a public servant or group or class of public servants, where exceptional circumstances exist relating to a condition or aspect of employment and a substantial inequity would arise as a consequence or because of an arbitration award.

The Act must be reviewed annually.

Like the Financial Emergency Measures in the Public Interest Act 2009 which provided for the public service pension levy (see *Relate*, April 2009), and unlike almost all other legislation, this Act includes an explanation for its introduction. This states that:

- A serious disturbance in the economy and a decline in the economic circumstances of the State have occurred and are continuing, which threaten the well-being of the community
- As a consequence, a serious deterioration in the revenues of the State has occurred and there are significant and increasing State commitments
- It is necessary to take urgent measures to reduce the significant shortfall between expenditure and revenue and to reduce the unsustainable levels of public borrowings consequent on the deterioration in those revenues
- It is necessary to reduce State expenditure to maintain international confidence and to protect the State's credit ratings
- It is necessary to take urgent steps to help restore the State's competitiveness
- It is necessary for the State to achieve significant savings in its expenditure, both directly and indirectly, on remuneration

Public service pensions

As already stated, the legislation on pay reductions in the public service provides that the pensions of people retiring in 2010 will not be affected by the pay cuts which apply. Existing pensioners are not being subjected to cuts in their pensions.

Plans for major changes in public sector pension arrangements were announced in the Budget. The full details are not yet known and legislation will be required.

New entrants

It is proposed to introduce a new single scheme for all new entrants to the public service from 2010 onwards. This will involve:

- Raising the minimum public service pension age to 66 years (from 65 at present) to bring it into line with, and in the future to link it with, the State Pension age
- Setting a maximum retirement age of 70 years – the Public Service Superannuation (Miscellaneous Provisions) Act 2004 removed the retirement age for most new entrants to the public service (for staff recruited before 2004, a maximum retirement age of 65 generally applies) and
- Basing pensions on "career average" earnings rather than final salary as currently applies

Existing pensioners and staff

The Government is considering using the Consumer Price Index as the basis for post-retirement increases for both existing and future pensioners. At present, post-retirement increases are based on the salaries of current staff.

The Government is also examining other aspects of public sector pensions, including the employee pension contribution and early retirement arrangements.