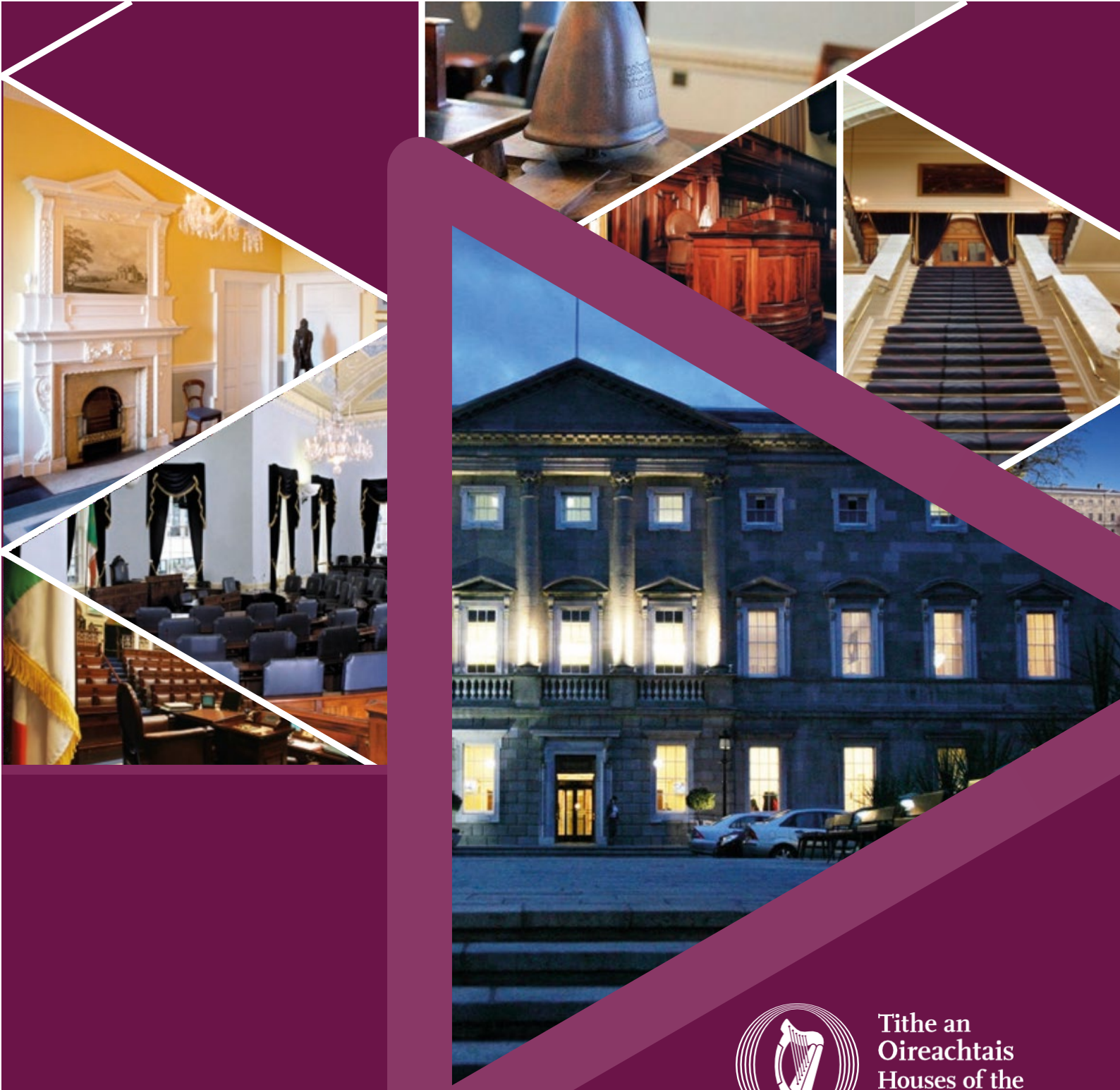


Tithe an Oireachtais
Houses of the Oireachtas

An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office

Labour Income Taxation in Ireland with European Comparison

Publication 17 of 2026

Séanadh

Is í an Oifig Buiséid Pharlaiminteach (OBP) a d'ullmhaigh an doiciméad seo mar áis do Chomhaltaí Thithe an Oireachtais ina gcuid dualgas parlaiminteach. Ní bheartaítear é a bheith uileghabhálach ná críochnúil. Féadfaidh an OBP aon fhaisnéis atá ann a bhaint as nó a leasú aon tráth gan fógra roimh ré. Níl an OBP freagrach as aon tagairtí d'aon fhaisnéis atá á cothabháil ag tríú páirtithe nó naisc chuig aon fhaisnéis den sórt sin ná as ábhar aon fhaisnéise den sórt sin. Tá baill foirne an OBP ar fáil chun ábhar na bpáipéar seo a phlé le Comhaltaí agus lena gcuid foirne ach ní féidir leo dul i mbun plé leis an mórphobal nó le heagraíochtaí seachtracha.

Is de chineál ginearálta í an Fhaisnéis. Baineann éiginnteacht le ráitis réamhbhreathnaitheacha agus d'fhéadfadh go dtiocfaidh nithe suntasacha chun cinn mar thoradh ar an bhFaisnéis. Ní sholáthraítear ráiteas cinntitheach leis an bhFaisnéis i ndáil le haon saincheist ar leith nó i ndáil le himthoisc phearsanta. Ní comhairle atá san Fhaisnéis. Ní mór a dheimhniú duit féin go bhfuil an Fhaisnéis a sholáthraímidne, an Oifig Buiséid Pharlaiminteach agus Coimisiún an Oireachtais (lena n-áirítear seirbhísigh, gníomhairí agus conraitheoirí na hOifige agus an Choimisiúin) oiriúnach agus iontaofa. Ní ghlacaimid aon fhreagracht as cruinneas ná oiriúnacht, ná eile, na Faisnéise agus ní thugaimid aon ráthaíocht ná aon ghealltanas ná aon bharánta i leith an chéanna; ná go mbeidh ár leathanaigh ghréasáin nó an Fhaisnéis nó ábhar eile saor ó earráidí, saor ó víris nó saor ó shárú. Ní ghlacaimid aon dliteanas (lena n-áirítear i leith éilimh maoine intleachtúla) a eascróidh as aon ábhar tríú páirtí nó aon suíomh gréasáin tríú páirtí a gcuirfimid nasc ar fáil chuige nó dá ndéanfaimid tagairt. Ní ghlactar le haon dliteanas ar bith, a mhéid is mó a cheadaítear faoin dlí is infheidhme nó (i) as aon iontaoibh a chuirfear san Fhaisnéis nó san ábhar ar ár leathanaigh ghréasáin nó (ii) as aon chaillteanas nó damáiste a eascróidh as an úsáid a bhainfidh tú as na leathanaigh ghréasáin sin nó i dtaca leis an úsáid sin. Féach ár bhFógra Séanta cuimsitheach anseo. I gcás aon easaontacht a bheith idir an Séanádh seo agus ár bhFógra Séanta cuimsitheach, is ag an gceann deireanach a bheidh an forlámhas.

Disclaimer

This document has been prepared by the Parliamentary Budget Office (PBO) for use by the Members of the Houses of the Oireachtas to aid them in their parliamentary duties. It is not intended to be either comprehensive or definitive. The PBO may remove, vary or amend any information contained therein at any time without prior notice. The PBO accepts no responsibility for any references or links to or the content of any information maintained by third parties. Staff of the PBO are available to discuss the contents of these papers with Members and their staff but cannot enter into discussions with members of the general public or external organisations.

The Information is general in nature. Forward-looking statements involve uncertainties and matters may develop significantly from the Information. The Information does not provide a definitive statement in relation to any specific issue or personal circumstance. It does not constitute advice. You must satisfy yourself as to the suitability and any reliability of the Information that we, The Parliamentary Budget Office and Oireachtas Commission (including its servants, agents and contractors), provide. We accept no responsibility for, and give no guarantees, undertakings or warranties concerning, the accuracy or suitability or otherwise, of the Information; or that our webpages or the Information or other content will be error free, virus free, or infringement free. We accept no liability (including in respect of intellectual property claims) arising out of any third-party content or any third-party website to which we link or refer. To the fullest extent permitted by applicable law, no liability whatsoever is accepted (i) for any reliance placed on the Information or content on our webpages or (ii) for loss or damage arising out of or in connection with your use of these webpages. See our comprehensive Disclaimer Notice here. In any conflict between this Disclaimer and our comprehensive Disclaimer Notice, the latter will prevail.

Contents

1. KEY MESSAGES 1

2. INTRODUCTION 3

3. TAXATION OF LABOUR INCOME IN IRELAND 7

3.1. COMPONENTS OF THE INCOME TAX BASE 7

3.1.1. Income Tax (IT) 7

3.1.2. Universal Social Charge (USC) 10

3.1.3. Pay Related Social Insurance (PRSI) 13

3.1.4. My Future Fund 15

3.2. CONCENTRATION RISK 16

3.3. IMPLICATIONS OF THE PROGRESSIVE TAX SYSTEM 19

3.3.1. Single and married individuals 22

3.4. COST OF POTENTIAL TAX CHANGES 25

3.4.1. Revenue's estimated costings on adjusted tax rates, bands and credits 25

3.4.2. PBO costing analysis on introducing four additional higher income tax bands 28

3.4.3. PBO costing analysis on a flat 20% marginal income tax rate on overtime earnings 30

4. EUROPEAN CONTEXT 32

4.1. BACKGROUND 32

4.2. COMPARATIVE ELEMENTS: IRELAND AND OTHER EUROPEAN APPROACHES 35

4.2.1. Number of tax bands across European countries 35

4.2.2. Overview of European Counties with Progressive Labour Income Tax Systems 37

4.2.3. Effective and marginal tax rates and tax wedges across European countries by income level and tax scenario (2025) 42

5. CONCLUSION 51

6. APPENDICES 53

6.1. APPENDIX 1: TAX RATES AND BANDS FOR THE TAX YEARS 2022 TO 2026 53

6.2. APPENDIX 2: INCOME TAX CREDITS, ALLOWANCES AND RELIEFS 2022 TO 2026 55

6.3. APPENDIX 3: LIST OF INCOME AND PAYMENTS EXEMPT FROM USC IN 2026 57

6.4. APPENDIX 4: LIST OF PRSI CLASSES 58

6.5. APPENDIX 5: AVERAGE ANNUAL WAGES AND INCOME THRESHOLD FOR THE HIGHEST MARGINAL TAX RATE IN 2025, BY NATIONAL CURRENCY 60

1. Key Messages

- Ireland operates a progressive income tax system, where tax liability increases as income rises. It is projected that in 2027 the system will apply to 3.55 million people.
- Three main deductions are made from employees' income in Ireland, forming the basis of taxation on earnings: Income Tax, Universal Social Charge (USC), and Pay Related Social Insurance (PRSI).
- From 1 January 2026 while not a tax, an additional deduction of 1.5% of gross income was introduced under the government pension scheme, My Future Fund.
- In recent years, income tax receipts have steadily increased, reflecting both the increased size of the workforce and rising wages.
- In 2025, Income Tax was the largest single source of tax revenue, representing over 34% of net tax receipts (Income Tax + USC). This amounted to €36.6 billion of total net receipts of €106.5 billion to the exchequer, a 4% increase from 2024.
- Currently, Ireland has a significant reliance on high-income earners for tax revenue. In 2025, 78.5% of income tax revenue originated from the top 20% of taxpayers. It is expected that in 2027, 67% of income tax revenue will be paid by the top 13% of earners (who earn €100,000 or higher).
- 30% of taxpayers pay the higher rate of income tax, 62% pay the standard rate, and 7% are exempt.
- Of the 62% who would pay the standard rate, 29% of taxpayer units have their tax liability totally covered by credits. This means that overall, 36% of workers are either exempt, or have their tax liability covered by credits. Ireland's progressive personal tax system is designed to consider its impact on different income groups and ensure that those who can contribute the most do so.

- At present, individuals with an annual income of €20,000 retain ~96% of their earnings, whereas those earning in excess of €100,000 per annum retain less than 65% as disposable income, highlighting the progressive impact of taxes and deductions on higher earners.
- The absence of indexation of tax bands and tax credits in line with wage growth results in bracket creep, whereby individuals are taxed at higher rates even though their purchasing power has not increased.[1]
- Greater individualisation of the income tax system could extend tax advantages beyond single individuals and cohabiting couples to married couples and civil partners with a second earner, thereby improving equity across different household types.
- In 2025, Ireland ranked sixth among European countries in terms of the highest marginal income tax rate. However, it had the lowest income threshold at which the top marginal rate applies. In Ireland, workers enter the highest tax bracket at just 69% of the average annual wage, meaning that a larger proportion of workers are subject to the top rate of tax compared with countries such as France, Germany, and the UK. Conversely, Ireland had the third-lowest level of employee social security contributions.

[1] See forthcoming PBO on the distributional impact of indexing the income tax system.

2. Introduction

Income tax on labour is a method by which the government collects revenue from individuals based on the income they earn, such as salaries, wages, and self-employment income.

In Ireland, taxation on labour income operates on a progressive basis, meaning that an individual's tax liability increases as their income rises.[2] The Irish income tax system comprises of three main components:

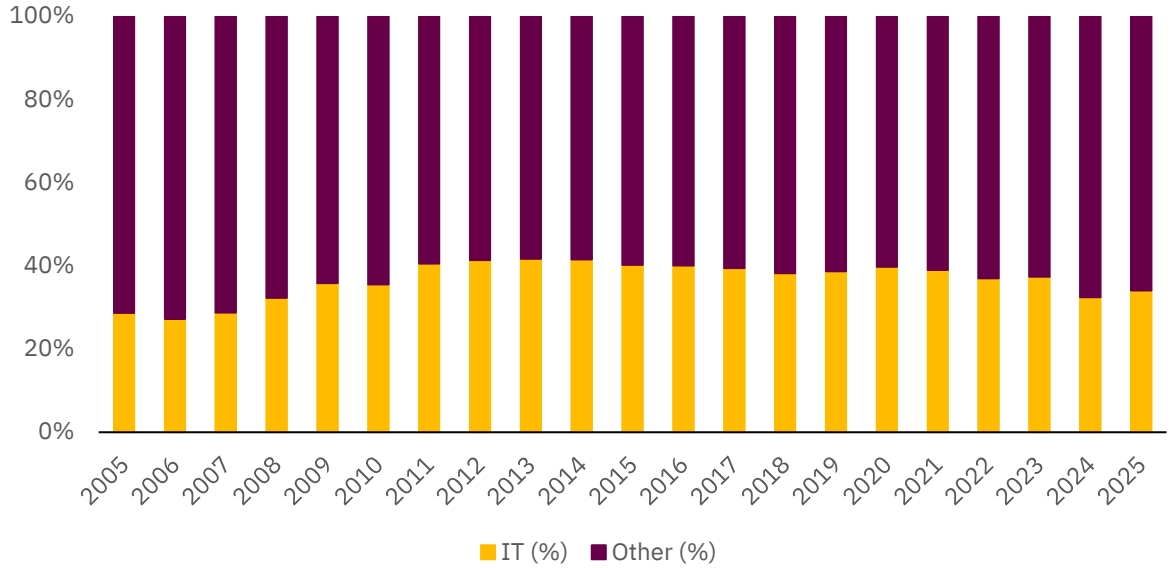
- Income Tax (IT),
- Universal Social Charge (USC), and
- Pay Related Social Insurance (PRSI).[3]

Additionally, from 1 January 2026, while not a tax, it is important to be aware that the government has introduced My Future Ireland,[4] a pension scheme for those who do not have one at present, with contributions also deducted from an individual's income. While employees aged between 23 and 60 are automatically enrolled in the scheme, they have the option to opt out if they wish.

In 2025 Income Tax was the largest source of tax revenue, representing over 34% of net tax receipts. This amounted to €36.6 billion (including USC) of total net receipts of €106.5 billion to the exchequer, [5] reflecting a 4% increase from 2024.[6] Figure 1 shows income tax as a % of total tax receipts between 2005 and 2025.

[2] Department of Finance (2018), 'Taxation'.
[3] Revenue Commissioners (2026), 'Starting your first job'.
[4] Department of Social Protection (2026), 'My Future Fund'.
[5] Revenue Commissioners (2026), 'Annual Report 2025'.
[6] Revenue Commissioners (2026), 'Income Tax 2025: Insights on PAYE Taxpayers'.

Figure 1: Trends in Income Tax Revenue



Source: PBO based on Department of Finance, 'Databank' Accessed 24 September 2026.

To balance the overall tax burden across the population, the government establishes tax rates and bands and provides tax credits, allowances, and deductions[7] that reduce the amount of tax an individual must pay, depending on their personal circumstances.

While proposals for new/additional tax credits are often discussed as a solution to target a particular group, their benefit to individuals can be limited in some cases, particularly where individuals have little or no income tax liability. As Revenue notes, tax credits reduce the amount of income tax payable, but unused tax credits generally[8] cannot be refunded or carried forward,[9] limiting their value for some taxpayers. Lower income earners may benefit little, if at all, from additional or expanded tax credits. In 2026, the Department of Finance estimated that as well as the 7% of taxpayer units who are exempt from income tax, a further 29% will not pay income tax as their income tax liability will be fully covered by their tax credits.[10]

[7] Citizens Information (2026), 'How your income tax is calculated'.
[8] Revenue Commissioners (2026), 'Analysis of High-Income Individuals' Restriction 2023'. Please note that this paper will not discuss the high income earners restriction.
[9] Revenue Commissioners (2026), 'Differences between tax credits, reliefs and exemptions'.
[10] Department of Finance Tax Strategy Group (2026), '26/01 - Income Tax'.

For a single employed individual with no children earning the median annual income of €61,666[11] in 2026, the total income tax liability before the application of tax credits amounted to €15,866. Applying both the single person tax credit and the employee tax credit, that person's tax liability falls to approximately €11,866. By contrast, a worker in the same circumstances earning €20,000 per annum would have no tax liability and only pay PRSI and USC.[12]

Making changes to tax credits such as the Employee Tax Credit which apply to all employees would not have any impact on that lower income individual. They do not pay enough tax to benefit from the change, but the higher earner would benefit in full from the additional credits. Unused tax credits cannot be carried forward to subsequent tax years and a single taxpayer cannot transfer their unused tax credits to their partner.

This example illustrates how increases in tax credits may provide limited benefits to lower-income earners despite being intended to reduce their tax burden.

Although a progressive income tax system is largely intended to reduce wealth inequality, it may also present certain drawbacks.[13] Considerable debate has arisen regarding the implications of the current income tax system and its effects on both individuals and the workforce, particularly the fact that people in Ireland pay the higher tax rate at a much lower entry point than in many other countries and a personal income tax package is needed to regularly adjust rates and bands in line with wage growth.[14] Drawing on the PBO's previous publications on taxes on income from 2018[15] and 2022,[16] this paper aims to:

- Provide an overview of the taxes and social insurance contributions applied to labour in Ireland (Income Tax, USC and PRSI) and also introduce My Future Fund.

[11] Central Statistics Office/CSO (2026), 'Survey on Income and Living Conditions (SILC) 2025'.
[12] PWC Ireland (2026), 'Income tax calculator - Budget 2026'.
[13] International Monetary Fund/IMF (2015), 'Taxes in Practice'.
[14] The Journal (2026), 'Tánaiste rules out stamp duty relief for first-time-buyers but says budget will target childcare fees'.
[15] Parliamentary Budget Office/PBO (2018), 'Pre-Budget 2019: Income Tax, USC and PRSI issues and options'.
[16] Parliamentary Budget Office/PBO (2022), 'European Income Tax Comparison'.

- Discuss who predominantly finances labour-related taxes and how they impact individuals.
- Present a comparative assessment of how income taxation in Ireland aligns with that of other countries within the European Union.

Please note that other forms of taxation on gains such as Capital Gains Tax (CGT), and Capital Acquisition Tax (CAT), will not be discussed on this paper.

3. Taxation of labour income in Ireland

3.1. Components of the income tax base

3.1.1. Income Tax (IT)

Income Tax is charged on the earnings of individuals and businesses. It was introduced in Ireland in 1853. At that stage, a taxpayer with income from different sources could get separate income tax assessment notices for one year, and these assessments were made according to five schedules. Pay As You Earn (PAYE) was introduced in 1960.[17]

Income Tax is the amount deducted from gross earnings,[18] less any allowable contributions made by the individual (e.g. pension contributions and permanent health insurance), resulting in what is known as 'taxable pay'.[19] Income Tax is collected either by employers on behalf of Revenue Commissioners, under the Pay as You Earn (PAYE), or through a self-assessment Pay and File system.[20]

To lower the burden on taxpayers, the government provides tax credits and reliefs to reduce taxable pay, according to each individual's circumstances. Ireland currently operates a two-band income tax system:

- A standard rate tax band, taxed at 20%; and
- A higher rate band, taxed at 40%.[21]

These two amounts are added together to determine the 'gross income tax 'of an individual.[22] The use of each rate band is determined according to each individual's circumstances (e.g. if single or married). Appendix 1 (p.53) shows the tax rates and bands as per Budget 2026, and Appendix 2 (p.55) provides a list of tax credits, allowances and reliefs applying in 2026.

[17] Revenue Commissioners (2023), 'Revenue before computers - The administration of Income Tax'.
[18] Please refer to PwC Ireland (2026), 'Individual - Income determination' for a full list of earnings considered for income tax deductions.
[19] Revenue Commissioners (2026), 'Starting your first job'.
[20] Revenue Commissioners (2025), 'Moving or returning to Ireland'.
[21] Revenue Commissioners (2026), 'Tax rates, bands and reliefs'.
[22] Revenue Commissioners (2026) 'Tax rates, bands and reliefs'.

The government regularly increases the threshold for each band. For example, for a single person without qualifying children, the higher rate band threshold had increased by 22.2% from 2022 to 2026. However, Budget 2026 did not introduce any changes to the income tax rate bands, maintaining 2025 band rates.[23]

Bracket creep is a term that describes a situation where income growth causes individuals to pay higher average income tax rates each year, even though there may not have been changes to tax rates and thresholds. This wage growth drives incomes into the tax net or the higher rate of income tax and can result in incomes being taxed for the first time or taxed at a higher rate of income tax. It is one result of a tax system which features a number of tax 'brackets'. In some cases, individuals have a larger tax liability that substantially erodes or negates their rising income. Therefore, no real increase in purchasing power is attained. It happens in Ireland due to the progressive income tax system and our generally rising wages.[24]

Bracket creep causes tax receipts to grow faster than the economy, which is sometimes known as 'fiscal drag'. Fiscal drag can yield additional receipts for the State and can be used to repair budget imbalances in times of recession[25] or to cool demand in a growing economy (as a form of an automatic stabiliser).

Certain categories of income are exempt from Income Tax. These include:

- Income of people aged 65 years or over whose income falls below the specified threshold (depending on their personal circumstances).[26]
- Artists[27] who qualify under specific tax exemption schemes, on their artistic income.
- Income from scholarships.[28]
- Certain social welfare payments.[29]

[23] Please refer to Appendix 1 for a full list of tax rates and bands between 2022 and 2026.
[24] Australian Parliamentary Budget Office (2021), 'Bracket creep and its fiscal impact'.
[25] Ibid.
[26] Revenue Commissioners (2026), 'Exemption and marginal relief'.
[27] Citizens Information (2025), 'Artists' exemption from income tax'.
[28] Revenue Commissioners (2026), 'Scholarship exemption'.
[29] Revenue Commissioners (2026), 'Taxation of DSP payments'.

- Funds derived from a cost settlement (depending on the nature of settlement).[30]

In addition, some individuals may benefit from marginal relief.[31] This relief ensures that when a person's income slightly exceeds a tax threshold, they are not disproportionately taxed at the higher rate. Instead, marginal relief limits the tax payable so that it remains fair relative to their income. Marginal relief applies where an individual or their spouse/partner is aged 65 or over and their total income is less than twice the relevant exemption limit. The exemption limit varies according to the individual's circumstances, and the use of marginal relief is only available where the tax liability calculated under marginal relief is lower than the liability that would arise using the standard tax credits. Where marginal relief applies, the income exceeding the exemption limit is taxed at the marginal relief rate, which is currently 40%.[32]

[30] Revenue Commissioners (2025), 'Tax treatment of legal fees'.
[31] Revenue Commissioners (2026), 'Exemption and marginal relief'.
[32] Ibid.

3.1.2. Universal Social Charge (USC)

Universal Social Charge is another tax on income, collected via PAYE or through self-assessment, depending on the nature of income. It is charged on an individuals' gross income and unlike Income Tax, is not reduced by tax reliefs.[33] It was introduced in 2011, replacing two existing levies: the Income Levy and the Health Levy.[34] Currently, USC applies where an individual's earnings exceed the exemption threshold of €13,000;[35] in such cases, USC is charged at the individual's full income, applying rate bands as shown in Table 1.

Table 1: Standard rates and thresholds of USC for 2026

Threshold for 2026 (€)	Rate (%)
First 12,012	0.5
Next 16,688	2
Next 41,344	3
Balance	8
Over 100,000	8 PAYE and 11 Non-PAYE
Certain bank bonuses (of over €20,000)	45

Source: Citizens Information (2026), 'Universal Social Charge (USC)'. Accessed 9 September 2026.

Certain income types are exempt from USC. A full list of the exempt income and payments can be found in Appendix 3 (p.57) of this document. In addition, certain categories of individuals may avail of a reduced USC rate, including those who earn less than €60,000 per year and are aged 70 or older, or have income of less than €60,000 per year and hold a full medical card. For 2026, the reduced rates are of 0.5% on the first €12,012 and 2% on the balance.[36]

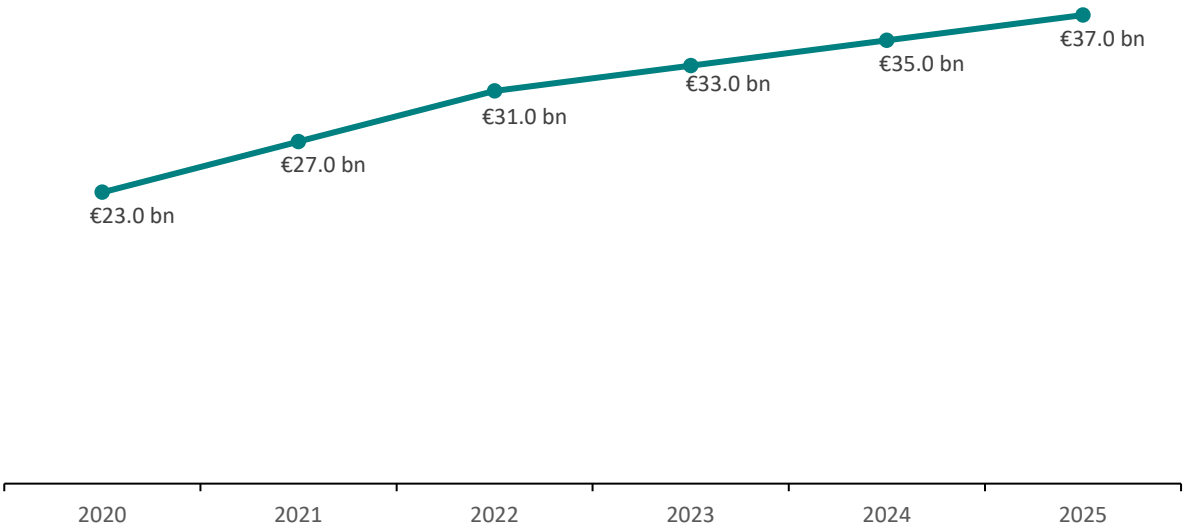
While income tax receipts increased between 2024 and 2025, total net receipts from USC (including PAYE and self-assessed income) decreased in 2025. USC revenue amounted to €5.6 billion, representing a decline of €0.1 billion compared with 2024.[37] This decline is a result of:

[33] Except for certain capital allowances.
[34] Department of Finance (2023), 'Review of the Personal Tax System'.
[35] Revenue Commissioners (2026), 'Universal Social Charge (USC)'.
[36] Revenue Commissioners (2026), 'Universal Social Charge (USC)'.
[37] Revenue Commissioners (2026), 'Annual Report 2025'.

- USC rate reduction from 4% to 3%,[38] introduced in Budget 2025; and
- An increase in the threshold 2% band from €27,382 to €28,700[39] introduced in Budget 2026.

Figure 2 illustrates the growth in net taxes[40] on labour revenues (Income Tax and USC) over the period from 2020 to 2025.

Figure 2: Growth in net income tax revenues, 2020-2025



Source: Department of Finance, Databank. Accessed 9 September 2026.

Net income tax revenue has grown steadily, reflecting the influence of both structural and cyclical factors within the Irish economy. These include an increased workforce participation due to a strong labour market, as well as wage growth[41] – particularly in high-paying sectors.

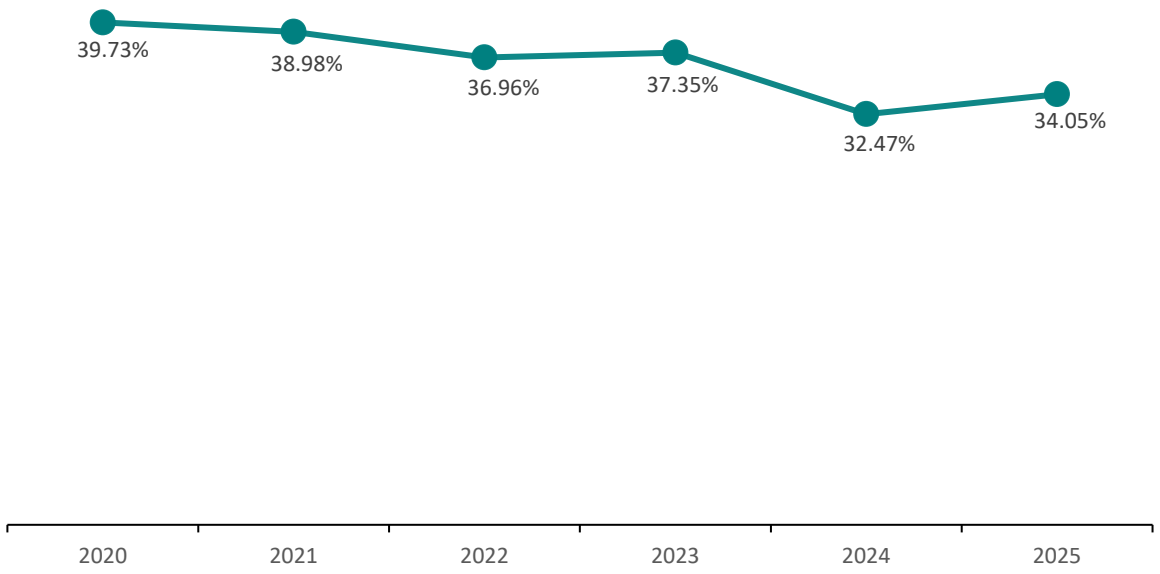
Figure 3 indicates the Income Tax and USC as a percentage of overall tax revenues of total of net receipts over the period from 2020 to 2025.

The graph illustrates that taxes on labour have consistently represented over one-third of total tax revenue in recent years. While IT receipts increased by 6.6% in

[38] Department of Finance (2024), 'Budget 2025 - Tax Policy Changes'.
[39] Department of Finance (2025), 'Budget 2026 - Tax Policy Changes'.
[40] Net income tax receipts refer to the total (gross) income tax and USC collected by the Exchequer, after adjusting for refunds and repayments made to taxpayers.
[41] Revenue Commissioners (2026), 'Income Tax 2025: Insights on PAYE Taxpayers'.

2024, their share of overall tax revenue decreased slightly. This was primarily driven by a significant increase in corporation tax receipts, which expanded total tax revenues and consequently reduced the proportion attributable to labour taxes.[42]

Figure 3: Income Tax and USC as a percentage of overall tax revenues, 2020-2025



Source: Department of Finance, Databank. Accessed 9 September 2026.

[42] Revenue Commissioners (2025), 'Income Tax 2024: Insights on PAYE Taxpayers'.

3.1.3. Pay Related Social Insurance (PRSI)

Pay Related Social Insurance was first introduced in 1911, and prior to 1979 social contributions were not earnings related but operated on a flat basis.[43] Coverage was extended to the self-employed (class S) in 1988.[44] At present it is a compulsory earnings-related system in which deductions from gross income, result in contributions to the Social Insurance Fund (SIF),[45] the main source used to finance social insurance payments[46] such as the State Pension, Jobseeker's Benefit, and the Guardian's Payment.[47] For each employee, employers must also make PRSI contributions, which are not deducted from the employee's income. These contributions vary based on the employee's gross income and PRSI class.[48]

PRSI contributions are collected by Revenue on behalf of the Department of Social Protection (DSP). Currently there are eleven[49,50] different PRSI classes, which vary according to the nature of employment,[51] and 27 subclasses,[52] which are determined by the number of employees weekly gross reckonable earnings. For those whose weekly income exceeds €352, PRSI is charged at a rate of 4.2% on gross earnings, increasing to 4.35% from October 1, 2026.[53] The most recent data on PRSI collections relate to 2025, when €19.7 billion was collected.[54]

Some classes of individuals are exempt from making PRSI contributions – in general, these are individuals who have a low income or are over a certain age. Further details are provided in Appendix 4 (p.58).

---

[43] Irish Tax Institute (2012), 'PRSI, Levies and the Universal Social Change, Finance Act 2012 - 1.1 Historical Background'.
[44] Citizens Information (2012), 'Contributory State Pensions'.
[45] See forthcoming PBO on the Social Insurance Fund "What is the Social Insurance Fund".
[46] Citizens Information (2025), 'Social Insurance'.
[47] Parliamentary Budget Office/PBO (2025), 'The Social Insurance Fund'.
[48] Department of Social Protection (2026), 'Pay Related Social Insurance (PRSI)'.
[49] Department of Social Protection (2025), 'The different classes of Pay-Related Social Insurance (PRSI)'.
[50] Please refer to Appendix 4 for a full list of classes.
[51] Department of Social Protection (2025), 'PRSI - Pay Related Social Insurance'.
[52] Department of Social Protection (2025), 'Pay Related Social Insurance (PRSI)'.
[53] Department of Social Protection (2026), 'Operational Guidelines; PRSI Pay Related Social Insurance - Contributions and Classes'.
[54] Department of Social Protection (2026), 'Annual Statistics Report Tables 2025 - A5 Financing of Social Insurance Fund (€million), 2016-2025'.

It is important to note that while PRSI and USC are assessed on an individual basis regardless of marital status, Income Tax allows married couples or civil partners to choose to be assessed either individually or jointly.[55]

[55] Houses of the Oireachtas (2025), 'Written Answers Nos. 21-40 'Tax Code'.

3.1.4. My Future Fund

My Future Fund is a pension scheme introduced by the government in 2026. Although participation is not compulsory, enrolment is automatic for individuals aged between 23 and 60 who earn more than €20,000 per year and are not already participating in a pension scheme, but with the choice to opt out if they wish.

In its first year, the scheme will involve a contribution of 1.5% of an employee's gross income, collected by the National Automatic Enrolment Retirement Savings Authority (NAERSA), with employers matching this contribution and the State adding a further 0.5%. These contribution rates are expected to increase after 2029.[56]

It is estimated that, in 2026, more than 760,000 individuals will contribute to the scheme.[57] Although no official estimate of the total annual contributions has been published, applying the 3.5% contribution rate to a median annual income of €61,666[58] suggests that approximately €1.6 billion could be collected in the first year of the scheme. This calculation is a flat calculation and does not take account of the limited data on who is already making pension contributions. For example, Revenue analysis found that 37% of employees made pension contributions in 2025.[59]

[56] Department of Social Protection (2026), 'My Future Fund'.
[57] Ibid.
[58] Central Statistics Office/CSO (2026), 'Survey on Income and Living Conditions (SILC) 2025'.
[59] Revenue Commissioners (2026), 'Income Tax 2025: Insights on PAYE Taxpayers', pg. 38.

3.2. Concentration risk

As Ireland operates a progressive income tax system, higher-income earners tend to face greater tax liabilities and therefore contribute a larger share of total tax receipts. In 2025, approximately 3.5 million employees contributed €40.7 billion in gross receipts from Income Tax and USC, representing an increase of over 100% compared to 2015 levels.[60]

In terms of contribution, in 2026:

- 62.1% of income tax and USC yield is forecast to come from the top decile of income earners, who earn above €109,500.[61]
- Conversely, earners in the bottom 50% of the income distribution were estimated to yield 10% of income tax and 5% of USC contributions.[62]

This highlights that Ireland currently relies heavily on high-earning individuals to sustain its income tax base. According to the data presented in Table 2 below, extracted from Revenue's Ready Reckoner Pre-Budget 2027, this trend is projected to be maintained in 2027, unless significant changes are made.

[60] Revenue Commissioners (2026), 'Income Tax 2025: Insights on PAYE Taxpayers'.
[61] Department of Finance Tax Strategy Group (2026), '26/01 - Income Tax', pg. 14.
[62] Department of Finance Tax Strategy Group (2026), '26/01 - Income Tax', pg. 20.

Table 2: Projected income earners by gross income range, income tax and USC liabilities, and effective tax rates by gross income range for 2027

Income Group	Number of taxpayer units	Gross Income Share (€m)	Income Tax/USC (€m)	Effective Rate (%)
Range 1 (0-20k)	1,011,000	10,540	42	0.4
Range 2 (20k-40k)	882,700	26,375	1,579	6.0
Range 3 (40k-60k)	630,300	30,878	3,789	12.3
Range 4 (60k-80k)	366,700	25,385	4,336	17.1
Range 5 (80k-100k)	221,300	19,756	3,860	19.5
Range 6 (100k-150k)	259,800	31,352	7,610	24.3
Range 7 (150k-200k)	96,600	16,550	5,007	30.3
Range 8 (200k-275k)	51,200	11,865	4,127	34.8
Range 9 (>275k)	49,700	26,118	10,990	42.1
Total	**3,569,300**	**198,819**	**41,340**	**20.8**

Source: PBO calculations from Revenue (2026), Revenue Ready Reckoner - Pre Budget 2027. Accessed 9 September 2026. Note that married persons or civil partners who have elected or have been deemed to have elected for joint assessment are counted as one tax unit. Note that rounding may impact these numbers slightly.

Table 2 shows that in 2027, it is projected that the top 13% of taxpayer units (€100,000 and above), will account for 67% of total income tax revenue.[63] The tax receipts per person increase more noticeably for incomes above €100,000, where individuals contribute around 33% of their income in tax. This rises further for those earning above €275,000, who contribute approximately 42% of their total income, and alone fund 26.6% of gross income tax collected.

The table also indicates that top earners may pay between three and six times higher effective tax rates than those on low incomes. The effective tax rate is the percentage of income tax compared to a person's pre-tax income. For example, a person earning €50,000 who pays €10,000 in tax after all credits and allowances will have an effective tax rate of 20%.[64] Unlike the highest statutory tax rate, which applies only to the last portion of income earned, the effective tax rate represents the overall tax burden after accounting for deductions, credits, and exemptions.[65]

[63] PBO calculations based on Revenue Ready Reckoner, Pre-Budget 2027.
[64] Social Justice Ireland (2023), 'Effective income tax rates after budget 2024'.
[65] Corporate Finance Institute (2021), 'Effective Tax Rate'.

This highlights that higher earners, although representing a smaller proportion of taxpayers, will continue to generate greater overall income and therefore contribute the largest share of tax revenue to the Exchequer, demonstrating the concentration of income tax. Although this is not as risky as reliance on corporation tax, it still creates a concentration risk. Economic downturns, changes in employment patterns and, shifts in the global economy can disproportionately affect high earners, resulting in significant fluctuations in tax revenue.[66]

In 2024, the ICT (11%), Finance (11%) and Manufacturing (10%) sectors accounted for three of the four largest contributors to income tax receipts. Given that many firms operating in these sectors are foreign owned, the public finances remain vulnerable to external shocks that are outside the Government's control.[67]

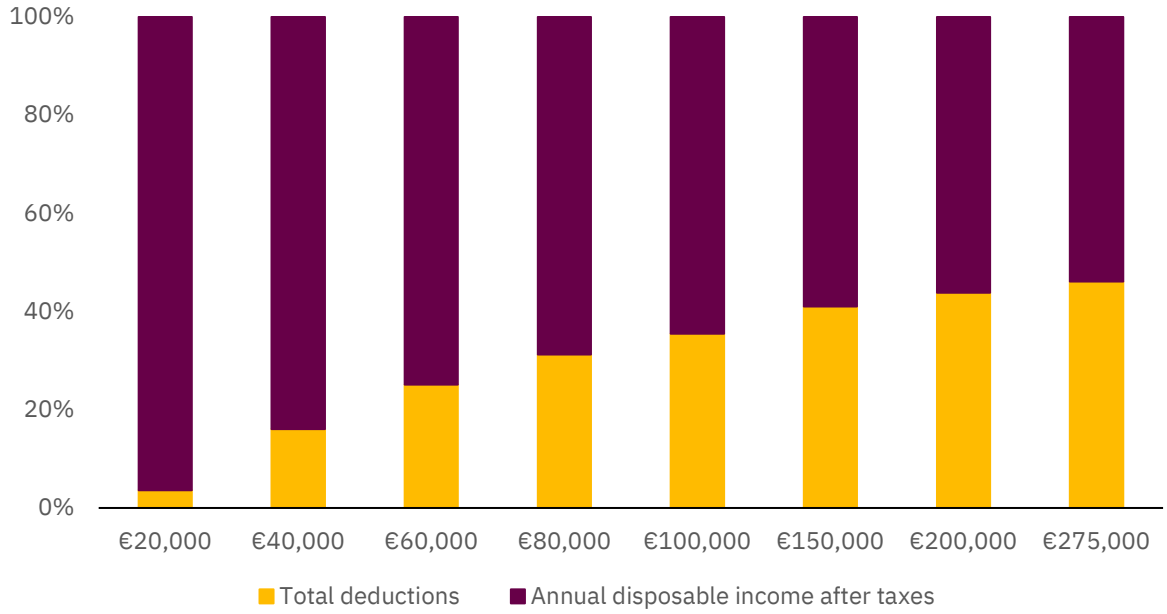
This underscores the need to broaden the tax base and to shift away from a reliance on taxes on labour towards greater use of taxes on capital, wealth and consumption.[68]

[66] Parliamentary Budget office/PBO (2024), 'Pre-Budget Commentary 2025'.
[67] Department of Finance Tax Strategy Group (2026), '26/01 - Income Tax'.
[68] Commission on Taxation and Welfare (2022), 'Foundations for the Future'.

3.3. Implications of the progressive tax system

Figure 4 presents tax liabilities across selected wage levels, demonstrating the progressive increase in tax obligations throughout the wage distribution. It highlights the difference in tax burdens between low- and high-wage earners and illustrates the amount of disposable income retained at each income level following taxation.

Figure 4: Income tax, USC and PRSI liability at selected wage levels (2026) for a single worker, no children[69]



Source: PwC, (2025) 'Income Tax Calculator 2026'. Accessed 9 September 2026.

Figure 4shows that individuals earning €20,000 per year pay just 3.6% of their gross annual income in taxes, resulting in a disposable income of €19,274. Disposable income is defined as the amount remaining after taxes and social contributions have been deducted, representing the resources available for consumption or saving.[70]

Conversely, individuals earning €100,000 or more face a considerably higher tax burden, retaining less than 65% of their gross income as disposable income. Median earners occupy an intermediate position, surrendering approximately 25%

[69] Based on a single worker with no children, 40 years old. For this chart all deductions on income were included (IT, USC and PRSI).
[70] Central Statistics Office/CSO (2025), 'Household Gross Disposable Income'.

to 33% of their gross annual income in taxes to the Exchequer. This pattern demonstrates how tax liabilities increase with income, which is a characteristic of a progressive taxation system, placing proportionally higher burdens on higher earners.

Higher marginal tax rates can reduce incentives to increase earnings, such as to work additional hours. They may also increase labour costs for employers, who must offer sufficient net income to attract high-skilled workers in a competitive labour market.[71]

However, in periods of high inflation, mid and lower-income earners may also experience increased tax pressure. As previously mentioned in this paper, when inflation and nominal wage increases push taxpayers into higher income tax brackets, and the government does not adjust thresholds and allowances to reflect inflation, it results in a 'bracket creep effect', which means a higher overall tax burden to the worker. The impact can be felt in different ways at different income levels.[72]

Increases in the marginal effective tax rate, resulting from increases in the number of hours worked or changes in employment can be 'taxed away', by the imposition of personal income taxes and employee social security contributions, and the possible withdrawal of earnings-related benefits (Working Family Payment etc.). The higher the marginal effective tax rate, the lower the incentives to look for work or to work additional hours, resulting in a disincentive to change their employment situation.[73]

Another important consideration is the effect of indexation on jobseeker replacement rates.[74] Replacement rates measure net welfare income as a proportion of net income from employment and are often used as an indicator of the financial incentive to take up work. Higher replacement rates are generally

[71] Department of Finance Tax Strategy Group (2026), '26/01 - Income Tax'.
[72] Central Bank of Ireland (2025), 'Personal Income Tax and Fiscal Drag Across the Distribution in Ireland'.
[73] European Commission (2023), 'Methodology of tax and benefits indicators database'.
[74] Parliamentary Budget Office/PBO (2022), 'The Impact of indexation on Jobseeker's Replacement Rates: A 2022 Case Study Approach'.

associated with weaker incentives to transition from welfare to employment. Although work incentives exist along a spectrum rather than at a fixed threshold, replacement rates exceeding 70% are typically considered indicative of a potentially significant disincentive to work.

A household with a net weekly income of €375 while receiving welfare payments and a potential net weekly income of €500 in employment would have a replacement rate of 75%. At this level, the financial gain from employment may be insufficient to provide a strong incentive to move from welfare to work. If, however, the household could earn €750 per week in employment, the replacement rate would decrease to 50%, reflecting a considerably stronger financial incentive to enter the workforce.[75]

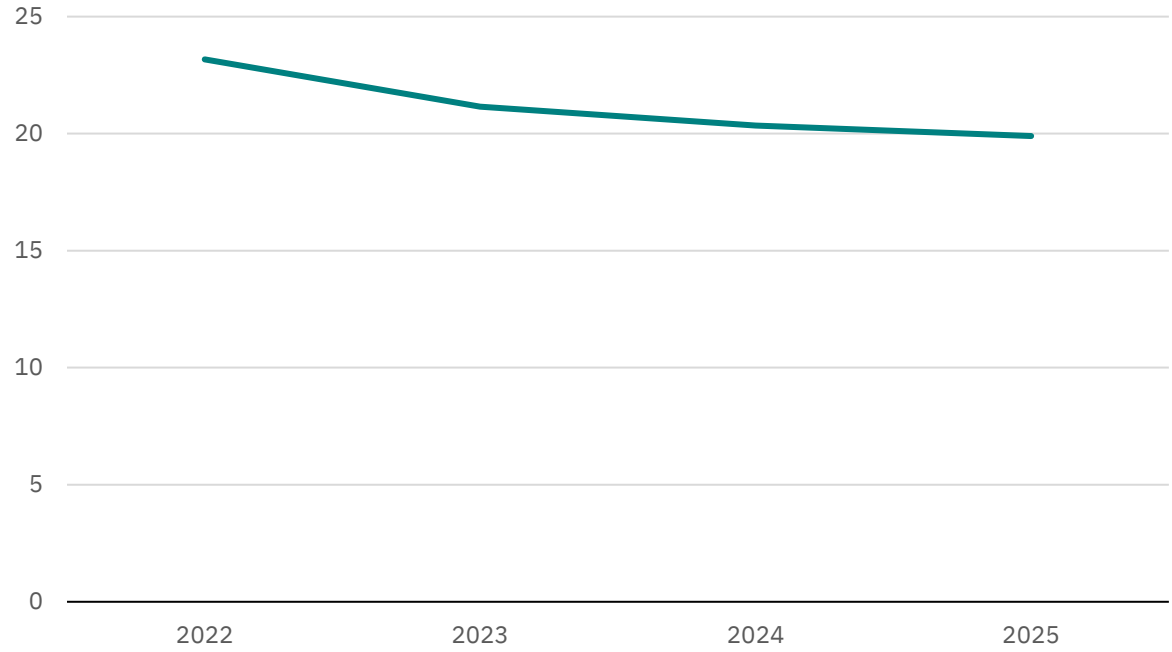
[75] Ibid.

3.3.1. Single and married individuals[76]

Figure 5 illustrates a decline in the number of registered marriages in Ireland from 2022 to 2025, including both opposite-sex and same-sex marriages.

The figure shows that between 2022 and 2025, the number of registered marriages in Ireland decreased by 14.1%, including both opposite-sex and same-sex marriages. This decline may reflect changing relationship patterns, with some individuals choosing to remain single or to cohabit rather than marry. In addition, Census 2022 data show that single-person households accounted for 23% of all households, representing an increase of 6.5% since 2016. The number of cohabiting couples also increased by 15.3% compared with 2016, further suggesting a shift towards alternative household and family structures.[77]

Figure 5: Registered marriages of opposite-sex and same-sex in Ireland, 2022-2025 (%)



Source: Central Statistics Office/CSO, 'Marriages'. Accessed 9 September 2026.

On a European level, Eurostat reports that in 2025 there were 203.1 million households in the EU, of which 76.1 million (37.5%) were single-adult households

[76] Some background material on individualisation is available in Callan's 'Chapter 3.3 - Individualisation: Fables and Facts', from 'A Fairer Tax System for a Fairer Ireland'.
[77] Central Statistics Office/CSO (2023), 'Census of Population 2022 Profile 3 - Households, Families and Childcare'.

without children. This household type recorded the fastest growth among all household categories, increasing by 19.2% between 2016 and 2025. Eurostat also reports that 12.5% of adults aged 18-24 lived alone (with or without children), compared with 32.2% of adults aged 65 and over, highlighting the growing prevalence of single person living across age groups.[78] This trend extends beyond Europe. Between 2010 and 2022 the number of people living alone increased in more than half of OECD countries.[79] In the United States, the proportion of single adults aged 25-34 has doubled over the past five decades.[80]

In 2025 (based on calendar year 2024 income), households comprising a single adult aged under 65 recorded the smallest increase in median household disposable income, rising by just 0.6%[81] compared with the previous period. In considering the circumstances of this household type, it is also important to note the tax treatment applicable to single individuals. Single workers face an earlier entry point to the higher 40% income tax rate then married couples and civil partners and cannot benefit from the transfer of unused tax credits or standard rate tax bands. For example, a single person with no children would enter the higher rate at €44,000, whereas a married couple with one earner would enter the higher rate at €53,000. Cohabiting couples face similar limitations, as they are assessed individually for tax purposes and do not have access to the tax-sharing arrangements available to married couples and civil partners.

The Commission on Taxation and Welfare recommended the individualisation of the Income Tax system, reducing the gap between single and married individuals, with consideration also to be given to the individualisation of tax credits. Such a reform would ensure more equitable tax treatment across different household structures, benefiting not only single individuals but also cohabiting couples.[82] For married couples and civil partners, the individualisation of income taxation could provide additional benefits by lowering the marginal effective tax rate for second earners.

---

[78] Eurostat (2026), 'Household composition statistics'.

[79]

[80] The Economist (2025), 'The rise of singlehood is reshaping the world'.

[81] Central Statistics Office/CSO (2026), 'Survey on Income and Living Conditions (SILC) 2025'.

[82] Commission on Taxation and Welfare (2022), 'Foundations for the Future'.

This may facilitate increased employment participation, particularly among women, and contribute to narrowing the gender employment gap.[83]

[83] Iza Institute of Economics (2018), 'Taxation, Work and Gender Equality in Ireland'.

3.4. Cost of potential tax changes

Potential tax changes directly affect government revenue by either expanding or narrowing the tax base or by adjusting tax rates. Increases in rates or a broadening of the tax base generally raise revenue, while reductions, tax reliefs, or changes in line with indexation tend to reduce it. These changes also influence wider economic activity by affecting household disposable income and business investment decisions. The following subsections present estimated costings on possible policy changes by the Revenue Commissioners and the Parliamentary Budget Office.

3.4.1. Revenue's estimated costings on adjusted tax rates, bands and credits

Tables 3 to 9 present a range of possible income tax measures or policy choices for government, and their associated fiscal impacts estimated by the Revenue Commissioners. The measures are based on a single taxpayer.

Table 3: Projected cost of increasing primary tax credits (employee/PAYE, earned Income, and personal)

Increase	First Year (€m)	Full year (€m)
Employee tax credit €50 (from €2,000 to €2,050)	119	136
Earned Income tax credit €50 (from €2,000 to €2,050)	7	10
Personal tax credit €100 (from €2,000 to €2,100).	119	135

Source: Revenue Commissioners (2026), Revenue Ready Reckoner - Pre Budget 2027. Accessed 9 September 2026.

Table 4: Projected cost of increasing standard rate cut off point

Increase	First Year (€m)	Full year (€m)
€1,000 (from €44,000 to €45,000)	114	129
€1,500 (from €44,000 to €45,500)	168	191

Source: Revenue Commissioners (2026), Revenue Ready Reckoner - Pre Budget 2027. Accessed 9 September 2026.

Table 5: Projected cost/yield of decreasing/increasing income tax rates

Rates	First Year (€m)	Full year (€m)
20% to 19%	-999	-1,142
40% to 39%	-539	-634
20% to 21%	1,012	1,157
40% to 41%	539	634

Source: Revenue Commissioners (2026), Revenue Ready Reckoner - Pre Budget 2027. Accessed 9 September 2026.

Table 6: Projected yield from introducing a third rate of income tax band at 41%

Earnings	First Year (€m)	Full year (€m)
Over 80,000	286	345
Over 100,000	222	270
Over 120,000	181	223

Source: Revenue Commissioners (2026), Revenue Ready Reckoner - Pre Budget 2027. Accessed 9 September 2026.

Table 7: Projected yield from introducing a third rate of income tax band at 43%

Earnings	First Year (€m)	Full year (€m)
Over 80,000	856	1,030
Over 100,000	663	807
Over 120,000	542	666

Source: Revenue Commissioners (2026), Revenue Ready Reckoner - Pre Budget 2027. Accessed 9 September 2026.

Table 8: Projected cost/yield from decreasing/increasing USC rates

USC rates	First Year (€m)	Full year (€m)
Decrease 0.5% to 0%	-163	-188
Decrease 2% to 1%	-419	-481
Decrease 3% to 2%	-454	-521
Decrease 8% to 7%	-337	-404
Increase 0.5% to 1.5%	326	375
Increase 2% to 3%	419	481
Increase 3% to 4%	454	521
Increase 8% to 9%	337	404

Source: Revenue Commissioners (2026), Revenue Ready Reckoner - Pre Budget 2027. Accessed 9 September 2026.

Table 9: Projected cost of increasing €1,000 on each USC threshold

USC threshold increase	First Year (€m)	Full Year (€m)
Exempt (from 13,000 to 14,000)	4.5	5
0.5% charge (first 12,012 to first 13,012)	41	47
2% charge (ceiling increasing from 28,700 to 29,700)	18	20
3% charge on current band of 28,700 to 70,044 (29,700 to 71,044)	45	52
Balance of 8% (from 70,044 to 71,044)	27	32

Source: Revenue Commissioners (2026), Revenue Ready Reckoner - Pre Budget 2027. Accessed 9 September 2026.

3.4.2. PBO costing analysis on introducing four additional higher income tax bands

This analysis estimated the annual cost, over the period 2026 to 2030 of introducing four new tax bands for top earners, considering the associated behavioural effects.[84] The four proposed new bands were as follows:

- 50% on earnings between €100,000,
- 55% on earnings between €150,000 and €200,000,
- 60% on earnings between €200,000 and €275,000, and
- 65% on earnings over €275,000.

Table 10: Total yields of new income tax bands, static revenue and Elasticity of Taxable Income behavioural[85]

Year	Total yield of new income tax bands static model (€m)	Total yield of new income tax bands behavioural model (€m)
2026	4,126.5 (Revenue increase)	-5,874.1 (Revenue decrease)
2027	4,545.9 (Revenue increase)	-6,467.8 (Revenue decrease)
2028	4,992.6 (Revenue increase)	-7,099.0 (Revenue decrease)
2029	5,463.8 (Revenue increase)	-7,763.0 (Revenue decrease)
2030	5,960.9 (Revenue increase)	-8,466.3 (Revenue decrease)

Source: PBO analysis on Revenue income tax statistics, Revenue Gross Income of all taxpayer units and Revenue Costs of Tax Expenditures. Analysis accessed on 9 September 2026.

Table 10 shows that in 2026, the proposed additional tax bands would be expected to reduce Irish income tax revenue by €5.9 billion, once behavioural effects are considered. This reduction is projected to increase to €8.5 billion by 2030, representing a further decline of 44%. Most of this decrease is driven by a significant reduction in the tax base among high-income earners (those with

[84] Parliamentary Budget Office/PBO (2025), 'Costing Analysis on Introducing Four Additional Higher Income Tax Bands'.

[85] As an initial behavioural effect (included in both the static and dynamic estimates), all tax units were modelling as reporting taxes in a manner that minimises their tax burden. In practice for this reform, all joint assessed dual income married couples immediately become individually assessed. While the Irish taxation system traditionally has dual income couples be approximately equivalent whether individually or joint assessed, this reform penalises high joint income households to be joint assessed. For example, if a married couple has an equally split joint income of €200,000, reporting €100,000 individually would avoid the 50% and 55% tax bands.

incomes above €275,000), who are expected to substantially reduce the amount of income they report for tax purposes in Ireland.[86]

- The static cost of the tax reform was estimated by comparing two scenarios: one in which the current tax system is applied, with all existing features retained (such as tax credits and tax band thresholds), and another in which the reformed tax system is applied to the same set of modelled tax units.
- The elasticity of taxable income measures how taxpayers respond to changes in their marginal tax rate. These responses may include adjustments to their labour supply, the structure of their remuneration, pension contributions, and overall tax planning behaviour.
- This analysis indicates that income earners are highly responsive to changes in income tax. If their effective tax rate (after tax credits) increases significantly, they may reduce the amount of income they report within the Irish tax system.
- The modelling of these behavioural responses shows that, while a tax increase may appear to raise revenue under a static analysis, the overall tax yield could decrease once these responses are considered. This is because taxpayers may reduce the taxable income base, for example by shifting towards forms of income that are exempt from tax.

[86] Parliamentary Budget Office/PBO (2025), 'Costing Analysis on Introducing Four Additional Higher Income Tax Bands'.

3.4.3. PBO costing analysis on a flat 20% marginal income tax rate on overtime earnings

This analysis estimates the cost of introducing a flat 20% standard marginal income tax rate on overtime earnings.[87] On a full-year basis, the policy is estimated to cost €238.8 million in 2027, increasing to €331 million by 2031.

Table 11: Full-year cost of a flat 20% standard marginal income tax rate on overtime earnings

Year	Revenue Forgone (€m)
2027	€238.8
2028	€260.3
2029	€282.8
2030	€306.1
2031	€331.0

Source: PBO modelling based on CSO data. Analysis accessed 9 September 2026.

The policy would introduce a flat 20% income tax rate on all qualifying overtime earnings, with the aim of reducing the impact of progressive marginal tax rates on additional work, while boosting productivity, easing labour shortages, and increasing take-home pay. However, the estimated costings are subject to a number of important caveats:

- Limited data availability: Currently there is no single dataset available that captures all of the information required for this costing. Consequently, the estimate is based on a combination of microdata sources from the CSO, including information on gross income from all sources, total earnings, overtime earnings, and relevant tax treatment variables, and also employment forecasts produced by the Department of Finance. These data were used to estimate individuals' tax liabilities and model the potential application of the proposed tax treatment to overtime earnings.
- Modelling assumptions: As no confirmed data are available, overtime earnings were estimated using CSO Structure of Earnings Survey data from a week in October 2022. Some workers may only have part of their overtime

[87] Parliamentary Budget Office/PBO (2026), 'Costing Analysis on a Flat 20% Marginal Income Tax Rate on Overtime Earnings'.

earnings taxed at 40% due to lower base salaries. As earnings rise, more workers may exceed the tax threshold, which could affect average overtime earnings in this cohort.

- Behavioural uncertainty: A flat 20% tax rate on overtime earnings could increase participation in overtime work. As the cost of the policy is defined as the difference in tax revenue between the current and alternative systems, any additional overtime earnings generated by the policy would help reduce its net cost. Since these earnings would not occur under the current system, the tax collected on them at the 20% rate would constitute additional revenue and partially offset the revenue loss associated with the measure.

4. European context

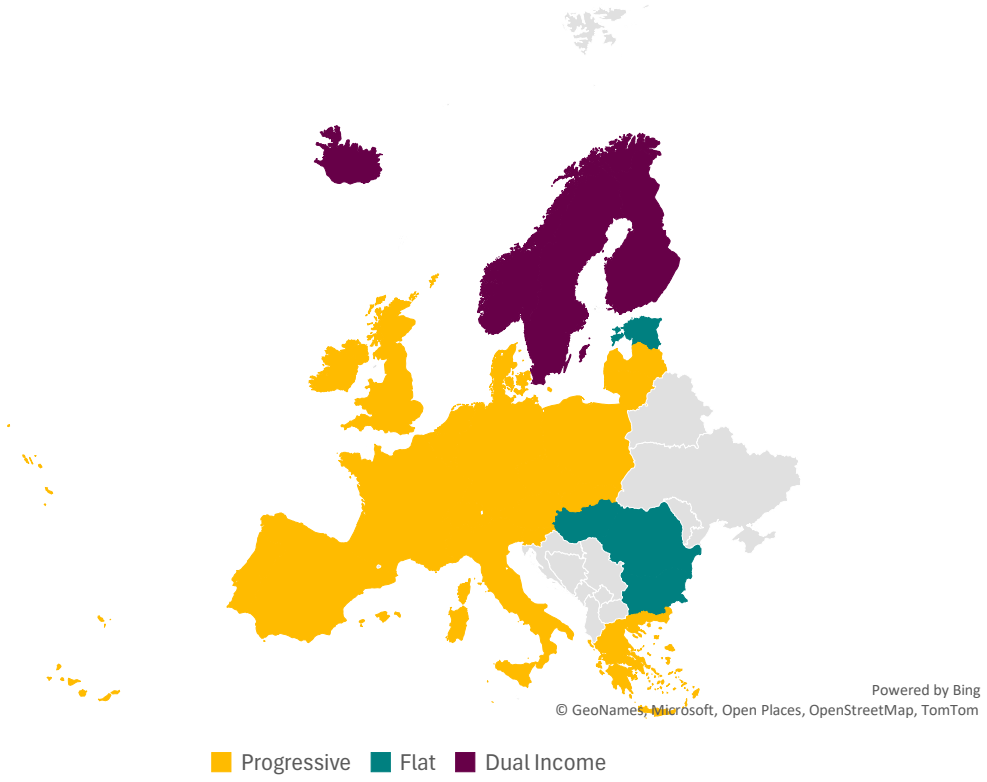
4.1. Background

Although taxes on labour in Europe are devolved, with each member state determining its own tax policy framework, tax structures across countries can be broadly categorised into:

- Progressive tax rates.
- Dual income tax rates.
- Flat tax rates.

Figure 6 illustrates the taxation of labour income in European countries, showing the model of labour taxation applied in each country in 2025.

Figure 6: Type of taxation labour system used across European countries, 2025



Source: Euromod Online (2023), 'Country Specific Notes', KPMG (2025) 'Icelandic Tax Facts 2025', Swiss Confederation (2025) 'The Swiss Tax System'. Gov.UK (2025), 'Rates and thresholds for employers 2025 to 2026'. All accessed 9 September 2026.

Despite these structural differences, relatively high social security contributions are a common feature across these models and play a crucial role in financing comprehensive welfare states.

Progressive taxation on labour is characteristic of several Western European countries, including Belgium, France, Germany and Ireland.[88] Under this system, higher income brackets are subject to progressively increasing marginal tax rates, reflecting an explicit objective of redistributing income and reducing inequality. Typically, progressive taxation applies broadly across different sources of income, rather than being confined solely to labour earnings.

Nordic countries including Denmark, Finland, Norway and Sweden,[89] employ a hybrid taxation model commonly referred to as dual income taxation. Under this framework, labour income is taxed at progressive rates, whereas capital income (dividends, interest, and capital gains) is subject to a flat and generally lower rate. This approach is intended to promote investment and entrepreneurship by limiting the tax burden on wealth accumulation, while simultaneously preserving relatively high levels of taxation on earned income.[90]

Central and Eastern European countries, including Bulgaria, Estonia, Hungary, and Romania, have adopted flat tax regimes,[91] under which a single uniform rate is applied to all forms of income. It often includes a basic exemption threshold, to ensure that individual's earning below a specified income level are not subject to taxation, thereby providing protection for low-income earners. This approach is intended to simplify tax administration, enhance compliance, and reduce opportunities for tax avoidance.[92] Moreover, by eliminating progressive tax brackets, such systems are often designed to improve economic competitiveness, particularly by attracting foreign investment and skilled labour.

---

[88] Euromod Online (2023), 'Country Specific Notes'.
[89] Ibid.
[90] Institute for Evaluation of Labour Market and Education Policy/IFAU (2024), 'Taxing dividends in a dual income tax system'.
[91] Euromod Online (2023), 'Country Specific Notes'.
[92] One Money Way (2025), 'Flat Tax'.

This section revisits a 2022 study by the Parliamentary Budget Office (PBO),[93] which showed elements related to taxation on labour, including tax rates, bands, and the tax burden between Ireland and other European countries. The main data is from 2025 and had been extracted from the OECD Data Explorer. This study seeks to evaluate the extent to which Irish income earners are taxed by comparing marginal tax rates for low, average, and high-income earners across selected European countries. It further analyses the share of income retained after tax and assesses the degree of progressivity within the Irish taxation system relative to other European tax systems.

For this update, the OECD standard reference points[94] will be used for comparison, namely defining bands as follows:

- 67% of the average wage (low earners).
- 100% of the average wage (average earners).
- 167% of the average wage (high earners).

The OECD defines low-paid workers as those earning 67% of the average wage, reflecting the commonly applied threshold of two-thirds of typical earnings. This relative benchmark facilitates consistent cross-country comparisons of tax burdens and work incentives across different income groups.

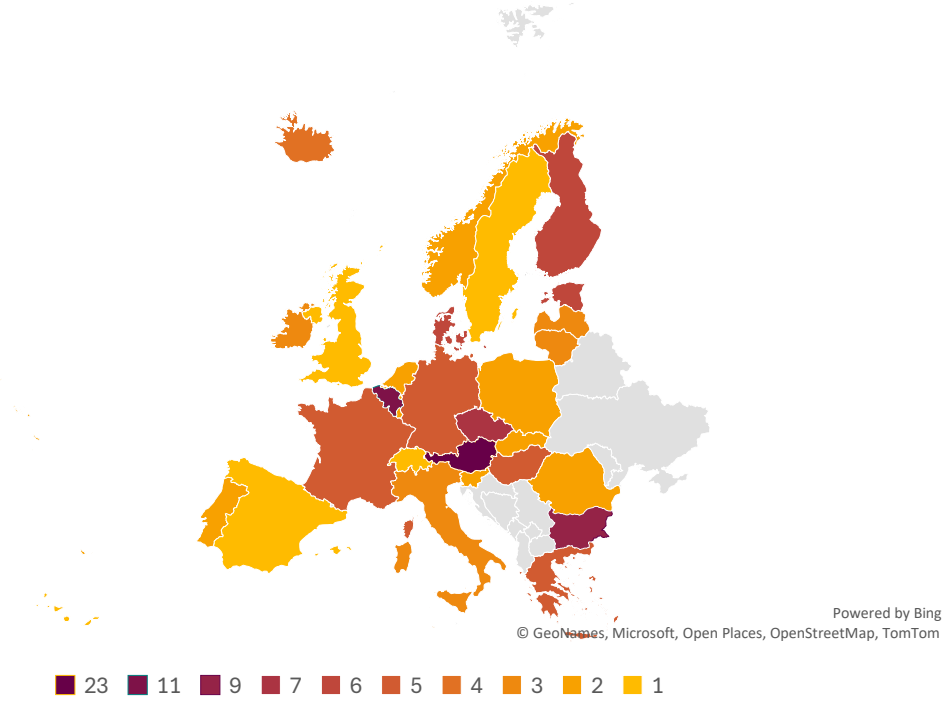
[93] Parliamentary Budget Office/PBO (2022), 'European Income Tax Comparison'.
[94] OECD (2026), 'Taxing Wages 2026'.

4.2. Comparative elements: Ireland and other European approaches

4.2.1. Number of tax bands across European countries

Figure 7 illustrates the number of marginal income tax rates (amount of tax bands) in place across European countries in 2025, highlighting differences in the structure of income tax systems.

Figure 7: Number of income tax bands across European countries, 2025



Source: OECD Data Explorer, 'Personal income tax (PIT) - Central government rates and thresholds'. Accessed 9 September 2026.

Figure 7 illustrates the diversity of income tax band structures across Europe in 2025. While several countries employed only one or two tax bands, others use a considerably larger number, with Luxembourg standing out as a notable outlier. Ireland's system contained relatively few tax bands compared with many other European countries.

It is important to note that countries use multiple tax bands to try to affect the progressivity of their tax system, but these have negative consequences. They can be more confusing for a taxpayer, create greater complexity and cost for an employer, are more complex to administer and monitor for the revenue services

and government, can lead to more tax evasion, and can create economic disincentives for workers when they are considering working additional hours as there are more brackets to consider.

The number of tax bands alone does not determine the progressivity of a tax system, as both the income thresholds and the marginal tax rates applied within each band must also be considered. Consequently, further analysis is required to assess the overall progressivity of Ireland's tax regime relative to its European counterparts. The following subsections examine these factors in greater detail to compare Ireland's tax system with those of other European countries.

4.2.2. Overview of European Counties with Progressive Labour Income Tax Systems

The progressivity of income tax systems depends on a range of factors beyond the number of tax bands. Table 12 presents 2025's key indicators for European countries where data are available, providing a basis for analysing the progressivity of income taxation:

- Average annual earnings in 2025.
- The highest marginal income tax rate applicable in each country.
- The income threshold at which the highest marginal rate applies.
- The highest rate threshold ratio for each country, calculated by comparing the income threshold at which the highest marginal tax rate applies with average annual earnings.

The marginal income tax rate is an indicator of the progressivity of a tax system. A larger gap between the lowest and highest marginal tax rates generally reflects a more progressive system, as higher-income earners are taxed at significantly higher rates than lower-income earners. Tax band thresholds help measure the distribution of the tax burden across income groups. When higher tax rates apply at relatively low income levels, middle-income earners are more affected. Conversely, when the thresholds are set at higher income levels, the tax burden is concentrated on high-income earners. Finally, the highest tax threshold indicates the percentage of the average annual wage that a worker must earn before becoming subject to the highest marginal tax rate.

Table 12: European countries with progressive labour income taxation, 2025

Country	Average annual wage (€)[95]	Highest marginal rate (%)	Income threshold for the highest rate (€)	Highest rate threshold, % of average annual earnings
Austria (AUT)	58,754	55.0	1,000,000	1702.01
Spain (ESP)	35,121	24.5	300,000	854.19
Switzerland (CHE)	104,249	15.5	840,738	806.47
Germany[96] (DEU)	54,840	45.0	277,825	506.61
Latvia (LVA)	24,685	33.0	105,300	426.57
France (FRA)	44,304	45.0	181,917	410.61
Lithuania (LTU)	31,939	32.0	126,533	396.17
Czechia (CZE)	26,366	23.0	92,141	349.47
Portugal (PRT)	25,826	48.0	83,696	324.08
Finland (FIN)	50,569	44.3	150,000	296.62
Luxembourg (LUX)	86,017	42.0	234,870	273.05
UK (GBR)	54,168	45.0	145,684	268.95
Slovak Republic (SVK)	21,403	25.0	48,441	226.33
Greece (GRC)	18,801	44.0	40,000	212.75
Slovenia (SVN)	37,569	50.0	78,016	207.66
Norway (NOR)	68,429	24.3	131,129	191.63
Italy (ITA)	34,733	43.0	50,000	143.96
Netherlands (NLD)	61,492	49.5	76,817	124.92
Poland (POL)	23,445	32.0	27,748	118.35
Sweden (SWE)	48,882	20.0	56,778	114.11
Denmark (DNK)	72,306	27.0	81,841	113.19
Iceland (ISL)	119,718	31.4	113,590	94.88
Belgium (BEL)	61,747	50.0	49,840	80.72
Ireland[97] (IRL)	63,379	40.0	44,000	69.42

[95] For countries that do not use Euro as their currency, the figures had been converted to Euro. Same applies for income threshold for the highest rate. Please refer to appendix 5 for a full list of income converted to Euro. Incomes have been converted to Euro on 10 September 2026.

[96] Germany does not use fixed-step brackets, for some bracket it applies a formula, resulting in gradual rises and not sudden jumps.

[97] It should be noted that the OECD calculates average annual wages using the mean metric rather than the median. Because the mean is influenced by higher earners, it may overstate the earnings of a typical worker relative to the median, which represents the midpoint of the earnings distribution. Consequently, this figure differs from the €61,666 extracted from the CSO, used in other examples throughout this paper.

Source: OECD Data Explorer, 'Average Annual Wages', OECD Data Explorer, 'Personal income tax (PIT) - Central government rates and thresholds', and PBO calculations.
Note 1: Estonia, Hungary, Romania and Bulgaria have flat tax systems and as such are not shown in this table. All sources accessed 10 September 2026.
Note 2: This data is based on a single person with no children, with 100% of average wage.
Note 3: The highest marginal rates presented in this table relate to income tax only and exclude any additional surtaxes, surcharges, or social charges (e.g., the Universal Social Charge in Ireland).
Note 4: Please note that all taxes are at general government level only (some countries also adopt taxes at central or at state and local governments), but those will be not considered for this exercise.

Table 12 illustrates that, although Ireland ranked tenth in terms of highest marginal rate in 2025, it had the lowest threshold among the progressive income tax systems examined to enter the highest marginal rate. In Ireland, the highest marginal rate applies before average annual wages are reached, similar to Belgium and Iceland. In many other countries, the highest marginal rate only affects those earning above the average annual wages.

This indicated that individuals in Ireland enter the top income tax band at a relatively low level of earnings compared with those in other European countries. The contrast is particularly evident when compared with Luxembourg and Finland for example, where similar top marginal tax rates (42% in Luxembourg and 44.3% in Finland) apply only at substantially higher income thresholds of €234,870 and €150,000 respectively. In addition, both countries operate a higher number of tax bands (Finland with 6 and Luxembourg with 23), with income thresholds distributed more evenly across the income scale, resulting in a more gradual progression to the highest tax rate as can be seen in OECD - Personal income tax (PIT) - Central Government Rates and Thresholds.

When income tax thresholds are assessed relative to average earnings, Ireland emerges as a significant outlier. While some countries have very high thresholds, such as Austria at 55%, some other European countries maintain their highest tax rate threshold at around 45%, including France, Germany, and the United Kingdom. However, in all three countries, an individual would generally need to earn at least twice the average annual wage before becoming liable for the highest marginal tax rate. In contrast, Irish taxpayers become liable for the highest marginal rate at an income level equivalent to just 69% of the average annual wage. This indicates that Ireland's highest marginal tax rate applies to a much larger share of earners and at substantially lower income levels than in France, Germany, and the United Kingdom. Although Greece and Italy also apply their highest marginal tax rates at relatively modest income levels, average annual earnings in both countries are lower than in Ireland. As a result, the income threshold at which the highest tax rate applies remains higher, relative to average earnings, than in Ireland.

Using the table above as a reference, in 2025, the average top marginal income tax rate across the countries that adopted the progressive tax system as per table above was 37%. Most countries with relatively high income levels imposed top marginal tax rates above this average. However, Greece and Portugal represented notable exceptions, as both countries combined below-average income levels with top marginal tax rates that exceeded the European average and were also higher than Ireland's top marginal rate. Many countries keep their marginal rates below average, including Denmark, Iceland and Sweden for example.

4.2.3. Effective and marginal tax rates and tax wedges across European countries by income level and tax scenario (2025)[98]

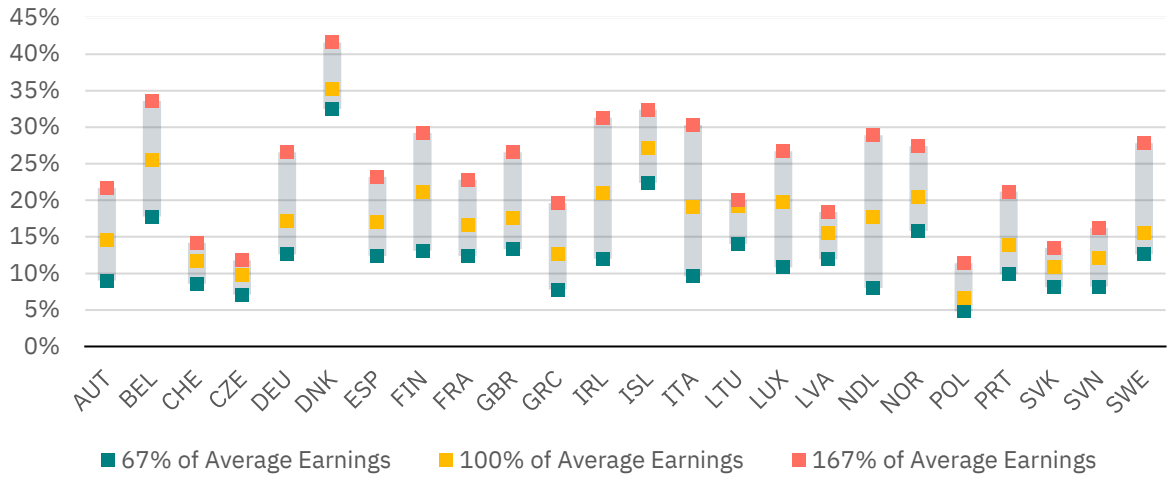
The following figures present additional key indicators used to assess the effects of taxation. These indicators will be used in addition to the previous ones, to analyse the impact of progressive taxation across European countries and include:

- Marginal tax rates for low, middle, and high-income earners, considering both income tax and social security contributions.
- Effective tax rates (also referred on the OECD source as average tax rates) for low, middle, and high-income earners, considering both income tax and social security contributions.
- Tax wedges for low, middle, and high-income earners.

As previously discussed, the marginal tax rate refers to the rate applied to an additional euro of income earned, whereas the effective tax rate represents the overall tax burden borne by an individual, calculated as total taxes paid divided by total earnings. The tax wedge[99] measures the difference between the total cost incurred by an employer in hiring an employee and the employee's net take-home pay after taxes. This indicator considers personal income tax as well as both employee and employer social security contributions. In summary, these elements are used to identify how heavily labour income is taxed and where the tax burden comes from. Figures 8 to 10 and tables 13 to 15 bring comparison on some of the key elements amongst European countries and how they approach taxation on income.

[98] Please note that all taxes are at general government level only (some countries also adopt taxes at central or at state and local governments), but those will be not considered for this exercise. In addition, the values used on the charts have been rounded as per OECD source: OECD, 'Personal income tax (PIT) and social security contributions (SSC) - Average and marginal rates on gross wage and earnings'.
[99] OECD (2025), 'Tax Wedge'.

Figure 8: Effective tax rate on Personal Income Tax (PIT) as a percentage for low, middle and high incomes of some European countries



Source: OECD, 'Personal income tax (PIT) and social security contributions (SSC) - Average and marginal rates on gross wage and earnings'. Accessed 10 September 2026.

Figure 8 demonstrates substantial variation in effective personal income tax rates across some European countries that adopt a progressive system for income taxation. Most countries exhibit progressive taxation, with effective tax rates increasing as income rises from 67% to 167% of average earnings. Denmark, Iceland, and Belgium display the highest tax burdens and strongest progressivity, whereas Poland, Czechia, Slovakia, and Slovenia show comparatively low effective tax rates and weaker progression. Overall, the figure suggests that Nordic and some Western European countries rely more heavily on progressive income taxation than many Central and Eastern European countries. Poland records the lowest PIT rate at the 100% of average earnings (4.8%). Belgium and Austria exhibit the largest increases in PIT rates between income levels, while Ireland ranks sixth highest overall.

Table 13: Average rate of Employee's Social Security Contributions (SSC) for low, middle and high incomes of some European countries

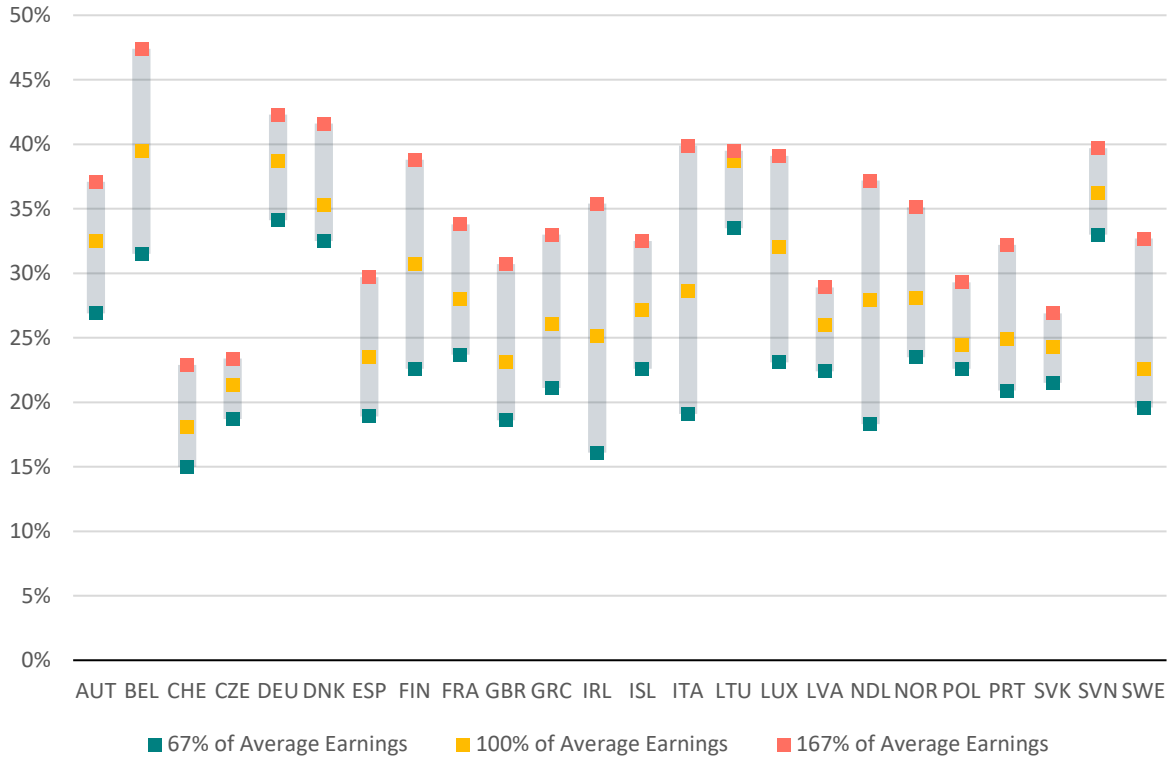
Country	67%	100%	167%	167%-100%
Slovenia	24.8	24.1	23.5	-0.6
Germany	21.6	21.5	15.7	-5.8
Lithuania	19.5	19.5	19.5	0.0
Austria	17.9	17.9	15.4	-2.5
Poland	17.8	17.8	17.8	0.0
Belgium	13.7	14.0	13.8	-0.2
Greece	13.4	13.4	13.4	0.0
Slovakia	13.4	13.4	13.4	0.0
Luxembourg	12.2	12.3	12.4	0.1
Czechia	11.6	11.6	11.6	0.0
France	11.3	11.3	11.0	-0.3
Portugal	11.0	11.0	11.0	0.0
Latvia	10.5	10.5	10.5	0.0
Netherlands	10.4	10.0	8.4	-1.6
Finland	9.5	9.5	9.5	0.0
Italy	9.5	9.5	9.6	0.1
Norway	7.7	7.7	7.7	0.0
Sweden	7.0	7.0	4.9	-2.1
Spain	6.5	6.5	6.5	0.0
Switzerland	6.4	6.4	6.3	-0.1
United Kingdom	5.3	5.6	4.2	-1.4
Ireland	4.1	4.1	4.1	0.0
Iceland	0.2	0.1	0.0	-0.1
Denmark	0.0	0.0	0.0	0.0

Source: OECD, 'Personal income tax (PIT) and social security contributions (SSC) - Average and marginal rates on gross wage and earnings'. Accessed 11 September 2026.

Table 13 shows considerable variation in effective employee social security contribution rates across some European countries that adopt a progressive system for income taxation. Slovenia, Germany, Lithuania, and Austria have the highest SSC burdens, while Denmark, Iceland, Ireland, and the United Kingdom have the lowest. Unlike personal income tax, SSCs are generally less progressive, with only modest differences across income levels. The findings suggest that countries adopt different approaches to financing social protection, with some relying more heavily on payroll contributions and others, particularly Denmark, on general taxation.

Together with Figure 8, figure 9 the highlights differences in the composition of labour taxation across Europe.

Figure 9: Effective tax rate on Personal Income Tax (PIT) plus Employee's Social Security Contributions (SSC) as a percentage for low, middle and high incomes for European countries that use progressive models of income taxation



Source: OECD, 'Personal income tax (PIT) and social security contributions (SSC) - Average and marginal rates on gross wage and earnings'. Accessed 11 September 2026.

Figure 9 shows the combined effective tax burden of personal income tax (PIT) and employee social security contributions (SSCs) across some European countries that adopt a progressive system for income taxation. Belgium, Lithuania, Germany, Slovenia, and Denmark record the highest combined effective tax rates, while Switzerland, Czechia, Sweden, and the United Kingdom have the lowest. In most countries, the overall tax burden increases with income, reflecting progressive tax systems. The figure also highlights differences in how countries finance public services, with some relying more heavily on PIT and others on social security contributions.

Table 14: Marginal tax rate on Personal Income Tax (PIT) plus Employee's Social Security Contributions (SSC) as a percentage for low, middle and high incomes of some European countries

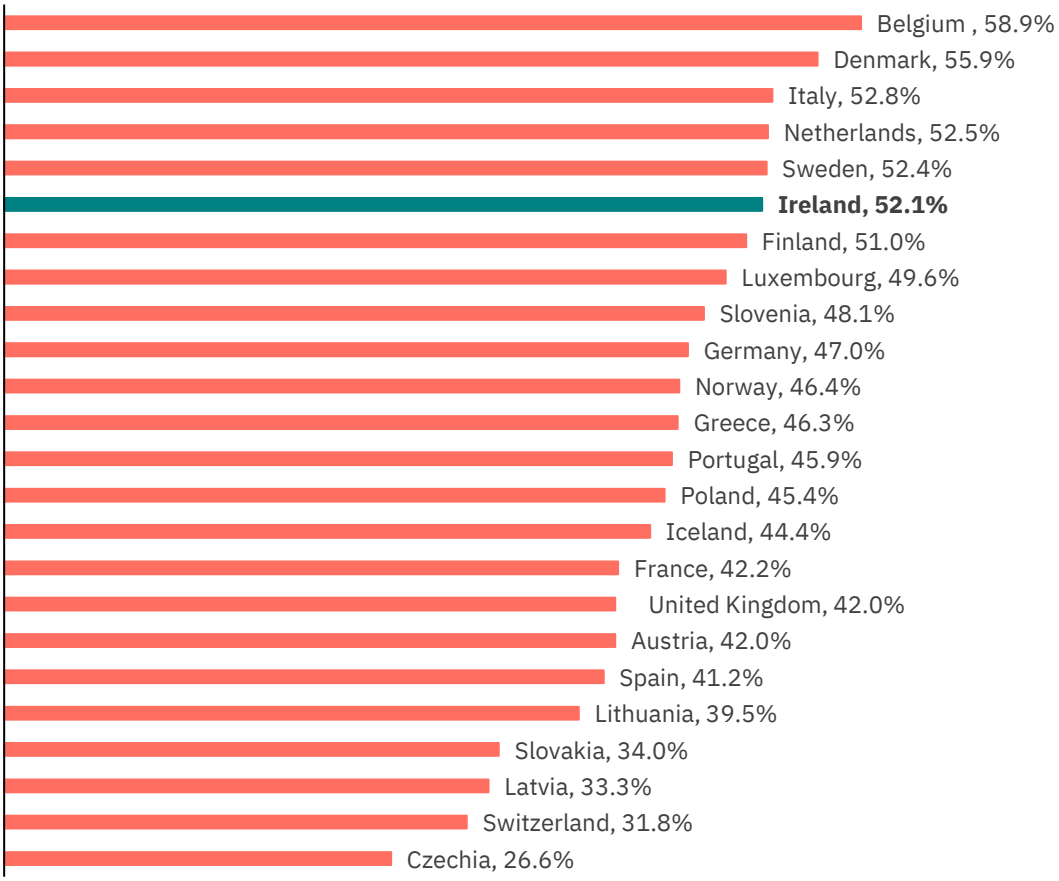
Country	67%	100%	167%
Italy	42.4	64.2	52.8
Belgium	55.5	55.5	58.9
Luxembourg	44.9	51.5	49.6
Lithuania	49.3	49.3	39.5
Finland	46.3	47.5	51.0
Netherlands	47.2	47.2	52.5
Ireland	27.1	47.1	52.1
Austria	45.1	46.7	42.0
Germany	45.6	43.5	47.0
Norway	33.7	43.4	46.4
France	32.6	43.0	42.2
Slovenia	42.7	42.7	48.1
United Kingdom	28.0	42.0	42.0
Denmark	38.1	41.7	55.9
Greece	34.2	39.4	46.3
Iceland	36.5	36.5	44.4
Portugal	27.0	35.4	45.9
Spain	28.4	34.3	41.2
Latvia	33.3	33.3	33.3
Sweden	26.0	32.4	52.4
Slovakia	29.9	29.9	29.9
Poland	28.2	28.2	45.4
Switzerland	21.7	28.1	31.8
Czechia	26.6	26.6	26.6

Source: OECD, 'Personal income tax (PIT) and social security contributions (SSC) - Average and marginal rates on gross wage and earnings'. Accessed 11 September 2026.

Table 14 highlights considerable variation in the taxation of additional earnings across some European countries. Belgium records the highest combined marginal tax rates, followed by Italy, Luxembourg, Finland, the Netherlands, and Germany, while Czechia, Switzerland, Poland, and Slovakia have the lowest. Marginal tax rates generally increase with income, reflecting the progressive design of most European tax systems, although the degree of progression varies across countries. Comparing Figure 9 and Figure 10 highlights the distinction between average and marginal

taxation: while effective tax rates measure the overall share of income paid in tax, marginal tax rates capture the tax burden on an additional euro earned. As a result, some countries with moderate effective tax rates may still impose relatively high taxes on additional earnings.

Figure 10: Top marginal tax rate as a percentage of gross wage earnings



Source: OECD, 'Personal income tax (PIT) and social security contributions (SSC) - Average and marginal rates on gross wage and earnings'. Accessed 11 September 2026.

Figure 10 compares the top marginal tax rates, combining Personal Income Tax (PIT) and Employee Social Security Contributions (SSCs), for higher-income earners (167% of average earnings) across some European countries that adopt a progressive system for income taxation.

The chart shows considerable variation in the taxation of additional earnings among European countries. Belgium has the highest top marginal tax rate, at approximately 59%, meaning that nearly sixty cents of every additional euro earned is paid in taxes and social security contributions. Denmark follows closely, with a

top marginal rate of around 56%, while Italy, the Netherlands, Sweden, Ireland, and Finland also record rates above 50%.

At the opposite end of the distribution, Czechia, Switzerland, Latvia, and Slovakia have the lowest top marginal tax rates, ranging from approximately 24% to 34%. In these countries, higher-income workers retain a larger share of each additional euro earned.

The results highlight substantial differences in tax progressivity and labour taxation across Europe. Countries with higher top marginal rates tend to place a greater tax burden on additional earnings, reflecting stronger redistributive objectives and a greater reliance on taxation to finance public services and social protection. Conversely, countries with lower top marginal rates place fewer tax disincentives on additional earnings and may prioritise labour market incentives and competitiveness.

Table 15: Tax wedge of European countries that use progressive model for income taxation

Country	67%	100%	167%
Italy	56.2	72.8	64.1
Belgium	68.5	65.0	67.7
Austria	57.0	58.3	45.6
France	64.6	58.2	60.0
Luxembourg	51.5	57.4	55.6
Finland	55.4	56.4	59.3
Netherlands	53.0	53.0	52.5
Ireland	34.4	52.4	56.9
Slovenia	50.9	50.9	50.9
Greece	45.9	50.2	55.9
Lithuania	50.2	50.2	40.6
Norway	41.3	49.9	52.6
Spain	45.4	49.7	55.0
United Kingdom	37.4	49.6	49.6
Germany	55.0	48.9	47.0
Sweden	43.7	48.6	63.8
Portugal	41.0	47.8	56.3
Slovakia	46.9	46.9	50.1
Latvia	46.0	46.0	46.0
Czechia	45.1	45.1	45.1
Denmark	38.1	41.7	55.9
Iceland	40.3	40.3	40.3
Poland	38.2	38.2	53.1
Switzerland	26.4	32.4	35.2

Source: OECD, 'Personal income tax (PIT) and social security contributions (SSC) - Average and marginal rates on gross wage and earnings'. Accessed 11 September 2026.

Table 15 compares the tax wedge across some European countries for low-income (67% of average earnings), average-income (100%), and high-income (167%) workers. The tax wedge measures the difference between an employer's total labour costs and an employee's take-home pay, providing a comprehensive indicator of the tax burden on labour.

Table 15 shows substantial variation in labour taxation across Europe. Belgium has the highest tax wedge, followed by Germany, France, Austria, Italy, and Slovenia. In

these countries, a large proportion of total labour costs is absorbed by taxes and social security contributions, reducing the share of earnings received by employees as net income.

At the lower end of the ranking, Switzerland records the lowest tax wedge, followed by Iceland, Czechia, the United Kingdom, and Ireland. Employees in these countries retain a larger share of labour income relative to the total cost incurred by employers.

Table 15 also indicates that the tax wedge generally increases with income, reflecting the progressive nature of most European tax systems. However, the degree of progression differs across countries. Belgium exhibits both a high overall tax wedge and a substantial increase across income levels, while countries such as Switzerland and Iceland maintain comparatively low tax wedges across all earnings groups.

Taken together, Figures 8 to 10 and tables 13 to 15 demonstrate substantial cross-country differences in the taxation of labour income. Nordic countries generally rely more heavily on personal income taxation, whereas many continental European countries finance welfare systems through a combination of income taxes and social security contributions. Belgium stands out as having both one of the highest overall tax burdens and the highest tax wedge, while Switzerland, Iceland, and several Central and Eastern European countries maintain comparatively lower labour tax burdens. These differences reflect varying policy choices regarding redistribution, social protection, and labour market incentives across Europe.

5. Conclusion

Labour taxation remains an important element of Ireland's tax structure and a major source of public revenue. Income Tax, USC and PRSI continue to generate a large share of government tax income, and the introduction of My Future Fund in 2026 (for those who will opt to be in the scheme), will increase deductions on employee's pay.

Ireland operates a strongly progressive system of labour taxation. This progressivity is reflected in the concentration of tax receipts. It is expected that in 2026, the top 12% of taxpayer units, those earning more than €100,000 annually, will contribute to approximately 66% of total income tax revenue. If no measures will be taken, this trend will be maintained in 2027. While this structure supports the redistributive objectives of the tax system, it also creates a degree of revenue concentration risk, as tax receipts become increasingly dependent on a relatively small proportion of earners and sectors of the economy.

Compared with other European countries, Ireland displays a distinctive approach to labour taxation. Although Ireland does not have the highest marginal tax rates in Europe, it applies its top income tax rate at a comparatively low income level. In 2025, Irish workers entered the top income tax rate at approximately 69% of average annual earnings, compared with substantially higher thresholds in countries such as France, Germany, Finland and Luxembourg, meaning that a larger share of Irish earners are exposed to the highest marginal rate of income tax than in the countries previously mentioned.

At the same time, Ireland maintains relatively low employee social security contributions compared with many European countries. International comparisons suggest that while Ireland's overall tax wedge remains below that of many other European economies, marginal tax rates on additional earnings for middle and higher-income workers are comparatively high. Consequently, Ireland relies more heavily on personal income taxation and less on employee social insurance contributions than a number of its European counterparts.

It is also important to note the importance of indexation within a progressive tax system. In periods of wage growth and inflation, the absence of adjustments to tax bands and credits can result in bracket creep, increasing tax liabilities even where real purchasing power has not improved.

Ireland's progressive taxation system on labour income plays an important role in supporting public finances and redistribution, but also raises policy questions regarding revenue concentration, labour market incentives, the treatment of different household types, and the extent to which tax thresholds and credits should be adjusted over time. As demographics change, wage growth and fiscal pressures continue to shape the policy environment, these considerations are likely to remain central to debates on the future design of labour taxation in Ireland.

6. Appendices

6.1. Appendix 1: Tax rates and bands for the tax years 2022 to 2026

Personal Circumstances	2026 (€)	2025 (€)	2024 (€)	2023 (€)	2022 (€)
Single or widowed or surviving civil partner - Without any qualifying children	44,000 @ 20% Balance @ 40%	44,000 @ 20% Balance @ 40%	42,000 @ 20% Balance @ 40%	40,000 @ 20% Balance @ 40%	36,000 @ 20% Balance @ 40%
Single or widowed or surviving civil partner - Qualifying for Single Person Child Carer Credit	48,000 @ 20% Balance @ 40%	48,000 @ 20% Balance @ 40%	46,000 @ 20% Balance @ 40%	44,000 @ 20% Balance @ 40%	40,800 @ 20% Balance @ 40%
Married or in a civil partnership - One spouse or civil partner with income only	53,000 @ 20% Balance @ 40%	53,000 @ 20% Balance @ 40%	51,000 @ 20% Balance @ 40%	49,000 @ 20% Balance @ 40%	45,800 @ 20% Balance @ 40%
Married or in a civil partnership – Both spouses or civil partners with income	53,000 @ 20% - With an increase of 35,000 max* Balance @ 40%	53,000 @ 20% - With an increase of 35,000 max* Balance @ 40%	51,000 @ 20% - With an increase of 33,000 max Balance @ 40%	49,000 @ 20% - With an increase of 31,000 max Balance @ 40%	45,800 @ 20% - With an increase of 27,800 max Balance @ 40%

Source: Revenue Commissioners (2026) 'Personal tax credits, reliefs and exemptions'.
*The increase in the rate band is capped at the lower or €35,000 or the income of the lower earner. This increase cannot be transferred between spouses or civil partners.

Additionally, all taxpayers residing in Ireland, can avail from tax credits, allowances and reliefs, possibly resulting on a decrease of the taxable pay, also depending on their individual circumstances. Appendix 2 displays a full list of tax credits, allowances and reliefs for the tax year 2026.

6.2. Appendix 2: Income tax credits, allowances and reliefs 2022 to 2026

Personal Circumstances	2026(€)	2025(€)	2024(€)	2023(€)	2022(€)
Single Person	2,000	2,000	1,875	1,775	1,700
Married Person or Civil Partner	4,000	4,000	3,750	3,550	3,400
Widowed Person or Surviving Civil Partner - With depending child(ren)	2,000	2,000	1,875	1,775	1,700
Widowed Person or Surviving Civil Partner - Without depending child(ren)	2,540	2,540	2,415	2,315	2,240
Widowed Person or Surviving Civil - Bereavement year	4,000	4,000	3,750	3,550	3,400
Widowed Parent - 1st year after death of spouse of civil partner	3,600	3,600	3,600	3,600	3,600
Widowed Parent – 2nd year after death of spouse of civil partner	3,150	3,150	3,150	3,150	3,150
Widowed Parent – 3rd year after death of spouse of civil partner	2,700	2,700	2,700	2,700	2,700
Widowed Parent – 4th year after death of spouse of civil partner	2,250	2,250	2,250	2,250	2,250
Widowed Parent – 5th year after death of spouse of civil partner	1,800	1,800	1,800	1,800	1,800
Single Person Child Carer Credit	1,900	1,900	1,750	1,650	1,650
Age tax Credit - If single, widowed or surviving civil partner	245	245	245	245	245
Age tax Credit - If married or in a civil partnership	490	490	490	490	490
Home Carer's Tax Credit (max.)	1,950	1,950	1,800	1,700	1,600
Employed Person taking care of an incapacitated individual (max.)	75,000	75,000	75,000	75,000	75,000
Employee PAYE Tax Credit	2,000	2,000	1,875	1,775	1,700
Earned Income Tax Credit (max.)	2,000	2,000	1,875	1,775	1,700
Incapacitated Child Tax Credit	3,800	3,800	3,500	3,300	3,300
Dependent Relative	305	305	245	245	245
Blind Tax Credit – Single Person	1,950	1,950	1,650	1,650	1,650
Blind Tax Credit – One spouse or civil partner blind	1,950	1,950	1,650	1,650	1,650
Blind Tax Credit – Both spouses or civil partners blind	3,900	3,900	3,300	3,300	3,300

Guide Dog – Allowance	825	825	825	825	825
Rent Tax Credit - Single Person (max)	1,000	1,000	1,000	500	500
Rent Tax Credit – Jointly Assessed married couple or civil partners (max)	2,000	2,000	2,000	1,000	1,000
Mortgage Interest Tax Credit (max)	1,250	1,250	1,250	0	0
Tax Rate: Schedule F (WH = Withholding Tax)	25% WH	25% WH	25% WH	25% WH	25% WH
Max. liability on deposit interest	33%	33%	33%	33%	33%

Source: Revenue Commissioners (2026) 'Tax rates, bands and reliefs'.

6.3. Appendix 3: List of income and payments exempt from USC in 2026

Income
Income under the threshold of €13,000
Income that had already Deposit Interest Retention Tax (DIRT) deducted
Early childcare supplement
Some employer benefits[100] such as travel passes and Cycle to Work Scheme
Income qualifying for Childcare Services Relief
Income Qualifying for Rent-a-Room Relief
Income from scholarships
Pre-retirement access to Additional Voluntary Contributions (AVCs)

Payments
Payments from the Department of Social Protection (DSP)
Payments that are similar to DSP payments, but paid by another body such as: ▪ Blind Welfare Supplementary Allowance ▪ Community Employment Scheme ▪ Farm Retirement Pensions ▪ Fund for Students with Disabilities ▪ JobBridge ▪ Job Initiative Scheme ▪ Mobility Allowance ▪ Social welfare payments received from another country ▪ Vocational Training Opportunities Scheme (VTOS) ▪ Youthreach Training Allowance

Source: Revenue Commissioners (2026), 'Universal Social Charge (USC)'.

[100] Revenue Commissioners (2026), 'Taxation of employer benefits'.

6.4. Appendix 4: List of PRSI classes

Classes	Employees
Class A	Employees in industrial, commercial, and service-type employment, who are employed under a contract of service with reckonable pay of €38 or more a week from all employments; civil and public servants recruited from 6 April 1995 and Community Employment workers from 6 April 1996. Most workers in Ireland pay Class A PRSI contributions.
Class B	Permanent and pensionable civil servants, registered doctors and dentists employed in the civil service and Gardaí, recruited prior to 6 April 1995.
Class C	Commissioned Army Officers and members of the Army Nursing Service recruited prior to 6 April 1995.
Class D	Permanent and pensionable employees in the public service, other than those mentioned in Classes B and C, recruited prior to 6 April 1995.
Class E	Ministers of religion employed by the Church of Ireland Representative Body.
Class H	Non-Commissioned Officers and enlisted personnel of the Defence Forces.
Class J	▪ Employees in industrial, commercial, and service-type employment, who are employed under a contract of service with reckonable pay of less than €38 from all employments. ▪ Some employees are insurable at Class J regardless of how much they earn, such as employees born before 1 January 1958, or over pensionable age (66 years) and in receipt of State Pension (Contributory), or over aged 70 years. ▪ People insured for Occupational Injuries Benefits only. ▪ People taking part in certain Solas training schemes insurable for Occupational Injuries Benefits only. ▪ People whose employment is of a subsidiary nature or of inconsiderable extent for example, people insurable at Class B, C, D or H in their main employment and who have a second job. ▪ Attendants at Department of Education and Skills examinations. ▪ Presiding officers and poll clerks at elections.
Class K	▪ Certain public office holders with an income in excess of €100 per week. The public office holders affected include the President, members of the Oireachtas, the judiciary, certain military judges, the Attorney General, the Comptroller and Auditor General and certain members of the European Parliament. These Public Office holders are liable for PRSI at a rate of 4.1% until 30 September 2025 (4.2% from 1 October 2025) on that income.

	▪ Any of these specified public office holders who earn €5,200 a year or less (€100 a week or less) have a nil liability (see Class M). ▪ Class K also applies to the additional earned self-employed income from a trade or profession of a modified rate contributor and on any unearned income they have. ▪ Employed contributors and occupational pensioners whose only additional income is unearned may be liable for PRSI contributions on this income.
Class M	People with no contribution liability such as: ▪ Employees under age 16 ▪ People who were previously liable for class S who were born before 1 January 1958, or over pensionable age (66 years) and in receipt of State Pension (Contributory), or over aged 70 years ▪ Persons in receipt of occupational pensions or lump-sum termination payments (on that portion of income only) ▪ People with Class K with a nil liability (public office holders with a weekly income of less than €100 a week)
Class P	Share fishermen and share fisherwomen who are classified as self-employed and who are already paying PRSI under Class S.
Class S	Self-employed people such as farmers, certain company directors, sole traders, and certain people with income from investments and rents, where the income is €5,000 or more a year from all sources.

Source: Department of Social Protection (2025), 'The different classes of Pay-Related Social Insurance (PRSI)'. For information on PRSI subclasses, please consult: Department of Social Protection (2025), 'Pay Related Social Insurance (PRSI)'.

6.5. Appendix 5: Average annual wages and income threshold for the highest marginal tax rate in 2025, by national currency

Country	Average Annual Wage (national currency)	Income Threshold (national currency)	National Currency
Czechia	639,181.00	2,234,736.00	Czech koruna (CZK)
Denmark	540,516.00	611,800.00	Danish krone (DKK)
Iceland	16,760,757.00	15,901,524.00	Icelandic króna (ISK)
Norway	734,712.00	1,410,750.00	Norwegian krone (NOK)
Poland	91,625.00	120,000.00	Polish złoty (PLZ)
Sweden	546,171.00	625,800.00	Swedish krona (SEK)
Switzerland	98,334.00	793,300.00	Swiss franc (CHF)
United Kingdom	46,511.00	125,140.00	Pound Sterling (GBP)

Source: OECD Data Explorer, 'Average Annual Wages'. The year selected for this paper was the most recent updated (2025). Please note that all figures had been converted to Euro on 10 September 2026.

Contact: pbo@oireachtas.ie

Go to our webpage: www.Oireachtas.ie/PBO

Publication Date: 28 September 2026

Houses of the Oireachtas
Leinster House
Kildare Street
Dublin 2
D02 XR20

www.oireachtas.ie
Tel: +353 (0)1 6183000 or 076 1001700
Twitter: @OireachtasNews

Connect with us

Download our App

Download on the App Store

GET IT ON Google Play