

Budget tax measures will bump earnings by 2% for average income workers

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The larger-than-expected tax cuts package announced in Budget 2024 will yield a take-home increase of between 2% and 2.2%, for private sector workers with gross earnings between €45,000 and €55,000.

Workers on €20,000, which would include those on the national minimum wage, which increases to €12.70 an hour next January, will see an increase in take home pay of €1,692, or a 9% increase – though those on €30,000 will receive one of the lowest increases of €292, or 1.1%.

Those on €55,000 will receive an increase of €817, or a 2% increase, and the percentage increase then declines for those with higher incomes, with somebody on €150,000 getting a 1% increase from the tax breaks.

The larger increase for those on the minimum wage is due to the increase in the ceiling for the 2% USC rate from €22,920 to €25,670, ensures that a full-time minimum wage worker will remain outside the top rates of USC.

This is based solely on the reduction in USC from 4.5% to 4% and the €2,000 increase in the tax bands, which will see the cut-off point for a single person increased from €40,000 to €42,000, while most of the tax credits have been increased by €100 e.g. personal tax credit goes from €1775 to €1875.

This calculation ignores cost-of-living benefits announced in the Budget, including €450 in energy credits over the winter – which may form an overall picture in the context of upcoming public service pay talks – the reduction in childcare costs, extension of free books scheme to secondary schools and the targeted mortgage interest relief along with other measures, which obviously depends on individual circumstances.

PAY-RELATED BENEFIT

However quite how these tax cuts will dampen wage expectations in the next 12 months or so, remains to be seen.

On pay-related benefit, which would see unemployment benefits linked to final wage and tapered down over a set period, the Minister for Social Protection Heather Humphreys said

she will announce details later this year as part of the Social Welfare Bill, with the new scheme to be introduced in Q4 2024.

ICTU General Secretary, Owen Reidy, who generally welcomed the Budget, said the unions will have to see the details of the pay-related scheme before commenting.

PRSI contribution rates are to increase by a modest 0.1% from October 1 next year, with the estimated additional €240m raised to be used to offset the cost of state pensions, which is forecast to increase substantially over the next ten years or so.

FUTURE FUNDS

What is now called the 'Future Ireland Fund' – a savings fund largely from excess corporation tax receipts – will also be used to fund future state pension obligations. Minister McGrath said this Fund, which will be established through legislation with a contribution of 0.8% of GDP each year, could reach €100 billion by the middle of the next decade.

Ibec welcomed the establishment of the National Infrastructure, Climate and Nature Fund. It also welcomed the SME support package, which it said will “provide much-needed relief for firms facing substantial government-imposed increases in labour costs (up to 25% by 2026).”

However, Ibec said it was disappointed that the National Training Fund, which it said now had a surplus of €1.5 billion, could not be “unlocked”.

HEALTH FUNDING

Health received an additional €800m in funding to meet the needs of an ageing population – the lowest increase Health has received over the last few years and even less than its deficit for 2023 of more than €1bn.

As negotiations between DPER and Health over spending overruns continue, the Minister for Health, Stephen Donnelly, said that there will be further recruitment freezes among HSE staff, but only where the employment targets have been met.

Earlier this month, the HSE announced a recruitment freeze among senior administrative staff as the employment target there had not only been met, but exceeded. This prompted a work to rule by Fórsa members, which remains ongoing.

According to the Estimates, published with Budget 2024, the gross public sector pay bill is estimated to rise from just over €24 billion this year to €24.8 billion next year – an increase of more than 3%.

This excludes any deal arising from the public service pay talks, as well as any additional recruitment in health, education, Gardaí etc. next year.

The gross public sector pensions bill is estimated to increase from €4.1 billion this year to €4.3 billion next year – a 3.7% increase.