



# Income tax for people with disabilities

## *Disability Information Factsheet 7*

Some tax-free credits and allowances are intended especially for people with certain disabilities. Some features of the income tax code are also of particular interest.

### General information on income tax

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The tax year is the same as the calendar year. It runs from 1 January to 31 December each year. The standard rate of income tax is 20%. Depending on your circumstances, you may have to pay income tax at the higher rate of 41% on some of your income.

Income from virtually all sources is taxable. This includes long-term social welfare payments such as Invalidity Pension, Blind Pension, Carer's Allowance and Carer's Benefit. Illness Benefit and Jobseeker's Benefit are also taxable.

Certain types of income are exempt from tax. The increase for qualified children, paid with Illness Benefit and Jobseeker's Benefit, and the first €13 per week of Jobseeker's Benefit are exempt, as is the first six weeks of Illness Benefit in a tax year. Jobseeker's Benefit paid to systematic short-time workers is also exempt from tax.

Other tax-exempt payments are Disability Allowance, Maternity Benefit, compensation for personal injuries (the income arising from it may also be exempt from tax if specific conditions are met), statutory redundancy lump sums, certain payments in compensation for loss of employment, Hepatitis C and HIV compensation awards, compensation payments to Thalidomide victims, some military pensions, compensation paid to people who were abused in residential institutions and compensation paid to people who were illegally charged long-stay charges in nursing homes.

Even if your social welfare payment is deemed taxable, if it is your only income you are unlikely to be liable to pay any tax. If you have a social welfare payment and another source of income, you may have to pay tax on it.

## The income levy

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An income levy was introduced from 1 January 2009. It is calculated separately from income tax: it is charged on your gross income, before deductions such as contributions to pensions are taken into account. You cannot claim deductions or credits to reduce the amount of levy you must pay. Similarly, excess or unused tax credits cannot be used to reduce your liability to the levy.

You are not liable to pay the levy if your income is less than €289 per week (€352 per week before 1 May 2009). Social welfare payments and Health Service Executive payments are not taken into account. You do not pay the income levy if you have a medical card.

## Income tax reliefs

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Tax reliefs reduce the amount of income tax that you have to pay. The tax reliefs to which you are entitled depend on your personal circumstances. The two main types of income tax relief are tax credits and tax allowances.

Tax is calculated as a percentage of your income. Tax credits are deducted from this to give the amount of tax that you actually have to pay. A tax credit has the effect of reducing your tax liability by the amount of the credit.

The value of a tax allowance depends on the highest rate of income tax that you pay. Take the example of a tax allowance of €100. If you pay tax

at 41%, then a tax allowance of €100 will apply at the rate of 41% and reduce your tax by €41 ( $€100 \times 41\%$ ). If the highest rate of tax that you pay is 20% then the same tax allowance of €100 will reduce your tax by €20 ( $€100 \times 20\%$ ).

## Tax exemption limits

If you are aged over 65, tax exemption limits apply. If your income is below the limits you are not liable for tax. They are not the same as credits or allowances. If your income is just slightly above the limit, you may get marginal relief. This means that you pay tax at 40% on the part of your income that exceeds the exemption limits. The tax exemption limits from January 2009 are €20,000 for a single or widowed person and €40,000 for a married couple.

These limits are increased if you have dependent children: by €575 each for the first and second child and by €830 for each subsequent child. For tax purposes, a child is a dependant if he or she is aged under 16, or over 16 and in full-time education or in training as an apprentice, or has become incapacitated before reaching the age of 21 or before finishing full-time education.

## The main disability-related tax reliefs

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### Blind Person's Tax Credit

A person who is blind is entitled to an extra tax credit of €1,830. For a married couple where both are blind, the extra tax credit is €3,660.

### Guide Dog Allowance

A tax allowance of €825 is given annually if you or your spouse has a guide dog and you are a registered owner with the Irish Guide Dog Association (relief applies at your top rate of tax).

### Incapacitated Child Tax Credit

This tax credit of €3,660 can be claimed by a parent or guardian of a child who became permanently incapacitated before the age of 21, or while she or he was in full-time education. Where there is more than one such child,

the tax credit may be claimed for each child. The income of the child does not affect the credit.

## Allowance for employing a carer

A tax allowance of up to €50,000 (at your top rate) is available where a person is employed to care for a person with a disability. This allowance may be claimed by one family member or divided among a number of family members if they are contributing towards the cost.

## Home Carer's Tax Credit

A tax credit of €900 is available for married couples (taxed jointly) where one spouse works in the home caring for a child for whom Child Benefit is being paid, a person over 65, or a person who requires the care because of a disability. The income of the carer must not exceed €5,080 in the tax year. A reduced tax credit is given where the income is between €5,080 and €6,880.

## Dependent Relative Tax Credit

This tax credit of €80 is given to a taxpayer who maintains:

- » A relative who has a disability or is aged 65 or over
- » A widowed parent
- » A son or daughter who lives with the taxpayer and on whom the taxpayer relies because of old age or infirmity

No tax credit is given if the income of the relative is above €13,473.

## Refunds of VAT

A refund of VAT (Value Added Tax) may be claimed for certain aids and appliances used by someone with a disability to assist them with independent living and working.

## Age Tax Credit

In addition to the usual personal tax credits, people over the age of 65 are entitled to an Age Tax Credit. This tax credit is €325 for a single person and €650 for a married couple. In the case of a married couple, the credit is given where either spouse is over 65.

## Rent Tax Allowance

You can claim tax relief at the standard rate on rent paid in 2009 for privately rented accommodation up to the following amounts:

Status	Aged under 55	Aged 55 or over
Single	€2,000	€4,000
Married or Widowed	€4,000	€8,000

To calculate what this is worth to you each year after tax, you multiply the tax allowance amounts above by 20%.

## Bereavement credits

There are special tax credits in the five years following bereavement for widowed people with dependent children. There are also special rules governing taxation in the year of the bereavement and these apply whether or not there are dependent children.

## Medical expenses

A tax relief at the standard rate is available for money spent on certain medical expenses. You may claim this relief if you pay the medical costs for yourself or any other person. (For expenses before 1 January 2009, relief was given at your highest rate of tax.)

The expenses for which the relief may be claimed include doctors' bills, drugs, the supply and repair of medical and surgical appliances used on medical advice, and hospital and nursing home costs. Routine dental and ophthalmic expenses are excluded.

### How to apply for relief on medical expenses

You should complete the claim form MED 1 at the end of the tax year. (You can download the form from the Revenue website at [www.revenue.ie](http://www.revenue.ie) or order it using Revenue's 24-hour telephone number 1890 306 706.)

If you find that you have exceptionally large expenses throughout the year, you may be able to claim a refund quarterly.

No refund is given for expenses which you can claim from another

source such as the Health Service Executive (HSE) or a private health insurance company.

## Nursing home fees

Registered private nursing homes are approved by the Revenue Commissioners for the purposes of getting tax relief on fees paid. Your own tax office can tell you if a particular home is approved. This list of approved nursing homes is available on the Revenue website at [www.revenue.ie](http://www.revenue.ie). Long-stay charges paid to public hospitals and nursing homes also attract tax relief.

Tax relief is available to the resident, the resident's spouse or any person who is paying the fees. Your local tax office can give you more information. Other expenses which may qualify for relief include employing a qualified nurse in case of serious illness, where recommended by a doctor.

## Deeds of covenant

A deed of covenant is a legal instrument under which a person guarantees to pay an annual sum to another individual for more than six years. A covenant can result in a reduction of income tax liability if the person paying the money pays tax at a higher rate than the person receiving it. It is obviously useful for anyone who would be maintaining the recipient anyway. However, money received under a covenant is treated as income in the hands of the recipient and may have implications if that person is receiving a means-tested social welfare payment.

For most covenants, there is a 5% income limit. There is no income limit where a covenant is in favour of a permanently incapacitated adult or a permanently incapacitated minor (except from parents to their own child who is under 18).

## Tax relief on Deposit Interest Retention Tax (DIRT)

If you have savings in a bank, building society or ordinary post office account, tax at 25% is deducted at source (increased from 23% since 8 April 2009). This is called Deposit Interest Retention Tax (DIRT). If you or your spouse are permanently incapacitated or aged over 65 and exempt from tax because of your low income, you are not liable to pay DIRT.

## The health levy

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In addition to their PRSI payments, people between the ages of 16 and 70 may have to pay the health levy if their income is over €500 per week. Anyone over this limit is liable to pay the health levy at 4% (since 1 May 2009) on all of their income, but if you receive more than €75,036 per year, you pay 5% for the portion of your income over that amount.

Employed or retired people with income of less than €500 in any week are exempt from the contribution in that week. Income from social welfare payments is not counted when calculating your income for the health levy.

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

## Useful addresses

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### **Revenue Commissioners**

Dublin Region

Lo-call: 1890 333 425

South West Region

Lo-call: 1890 222 425

East and South East Region

Lo-call: 1890 444 425

Border Midlands and West Region

Lo-call: 1890 777 425

VAT Repayments Section

Government Buildings

Kilrush Road, Ennis, Co. Clare

Lo-call: 1890 202 033

[www.revenue.ie](http://www.revenue.ie)

### **Department of Social and Family Affairs**

Information Section

Lo-call: 1890 66 22 44

[www.welfare.ie](http://www.welfare.ie)

The Citizens Information Board is the statutory body which supports the provision of information, advice and advocacy on the broad range of social and civil services to the public. It provides the Citizens Information website and supports the voluntary network of Citizens Information Services and the Citizens Information Phone Service.

## Factsheets in this series

- 1 Disability payments**
- 2 Health services for people with disabilities**
- 3 Supports and entitlements for carers**
- 4 Education, training and employment for people with disabilities**
- 5 Housing for people with disabilities**
- 6 Transport and travel for people with disabilities**
- 7 Income tax for people with disabilities**

You can find more information on all the entitlements covered in this factsheet in the booklet *Entitlements for people with disabilities* (available from your local Citizens Information Centre) or on [www.citizensinformation.ie](http://www.citizensinformation.ie)

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