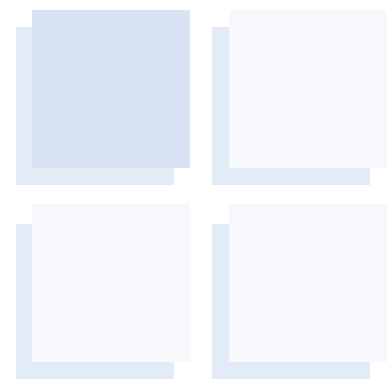


The huge increase in the workforce and the corresponding dramatic fall in both the overall and long-term unemployment rates provide powerful evidence that unemployed people want to work. Research carried out by the INOU and others concluded that in the vast majority of cases an unemployed person benefits financially when taking-up work through a combination of wage and employment incentives, such as retaining secondary benefits.

This section has been designed as a resource for Partnership/Community Group staff who provide information and advice to unemployed people. It has been drawn up with a specific focus on the needs of the unemployed person when assessing the impact of taking up Part-time or Full-time employment and covers:

- Full-Time Work and Secondary Benefits
- The interaction of Secondary Benefits and Part-time work
- Back to Work Incentives and Secondary Benefits
- Self-Employment and Secondary Benefits
- Active Labour Market Programmes and Secondary Benefits
- The Social Economy Programme and Secondary Benefits
- Combining Part-time work and Unemployment Assistance/Unemployment Benefit (UA/UB)
- Claiming Family Income Supplement (FIS)
- The Tax Effect of taking-up work



Secondary Benefits refer to benefits which a person may be entitled to as a result of being in receipt of a social welfare payment. Secondary Benefits include Rent Supplements, such as Rent Allowance and Rent/Mortgage Interest Relief, Fuel Allowance, Back to School Clothing and Footwear Allowance and the Medical Card.

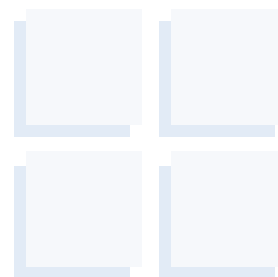
Full-Time Work and Secondary Benefits

Full-time work is defined whereby a person has a contract of employment for a certain period of time, which for Supplementary Welfare Allowance (SWA) purposes, is more than 30 hours a week.

Full-Time Work – Secondary Benefits	
IMPACT	INCENTIVES
Not normally entitled to claim most Secondary Benefits	May be entitled to retain Medical Card for 3 years
	May be entitled to retain Secondary Benefits after taking up full-time employment on Revenue Job Assist, Back to Work Allowance, Back to Work Enterprise Allowance, Job Initiative or the Social Economy Programme
	May be entitled to Family Income Supplement (FIS)

Working and Retaining the Medical Card

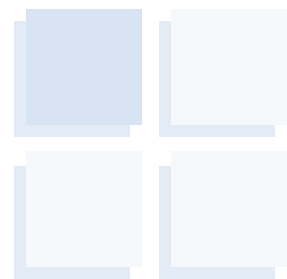
If a person has been unemployed and signing on the Live Register, or receiving a One Parent Family Payment (OPFP), for 12 months or more, they can keep their Medical Card for three years after getting a full-time or part-time job. This is irrespective of income earned, as the income guidelines for the Medical Card do not apply during this three-year period.



Part-time work, is defined whereby a person has a contract of employment for a certain period of time which for SWA purposes, is less than 30 hrs a week.

When the combined value of a social welfare payment and earnings from employment is greater than the full rate of the Supplementary Welfare Allowance (SWA) payment (ie €124.80 personal rate, €82.80 per qualified adult, and €16.80 per dependant child), secondary benefits will normally be affected.

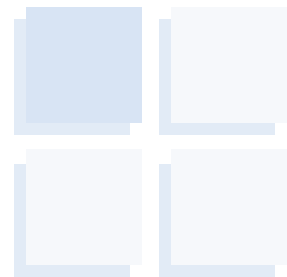
Part-Time Work – Secondary Benefits	
IMPACT	INCENTIVES
Back to School Clothing and Footwear Allowance may be affected – Check income guidelines	May be entitled to retain Medical Card for 3 years
Local authority rent may be increased	May qualify for FIS subject to working at least 19 hours and meeting other criteria
A €50 per week earnings limit applies to Fuel Allowance	There is an entitlement to €50 per week earnings before Fuel Allowance is affected
Rent/Mortgage Interest are deducted euro for euro after the first €50 earnings per week	There is an entitlement to €50 per week earnings before Rent/Mortgage Interest Supplements are affected



Some Back to Work incentives allow unemployed people to keep their secondary benefits. The following incentives allow an unemployed person to retain their secondary benefits subject to certain conditions;

- ✓ Revenue Job Assist
- ✓ Back to Work Allowance (BTWA)

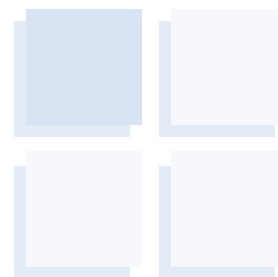
Back to Work Incentives – Secondary Benefits	
EFFECT	INCENTIVES
If total household income (except FIS and the portion of BTWA which is retained – see below) is greater than €317.43 per week, most secondary benefits will not be retained	If total household income is less than €317.43 per week (neither FIS nor the portion of BTWA which is retained are included in this calculation), most secondary benefits will be retained
	May be entitled to retain Medical Card for 3 years
	If total household income is less than €317.43 per week (neither FIS nor the portion of BTWA which is retained are included when assessing this), 75% of the Rent/Mortgage Interest Supplement which was received prior to taking up BTWA or Revenue Job Assist will be paid in the first year, 50% in the second and 25% in the third and fourth years



Self-Employment refers to people who set up their own businesses. This will be treated in the same way as full-time or part-time work for the purposes of secondary benefits. People are not entitled to claim FIS while self-employed.

The primary back to work incentive allowance for unemployed people who are starting their own business is the Back to Work Enterprise Allowance (BTWEA).

Back to Work Enterprise Allowance – Secondary Benefits	
EFFECT	INCENTIVES
If total household income (except the portion of BTWEA which is retained) is greater than €317.43 per week, most secondary benefits will not be retained	If total household income is less than €317.43 per week (except the portion of BTWEA which is retained), most secondary benefits will be retained
Will not qualify for FIS	May be entitled to retain Medical Card for 3 years
	If total household income is less than €317.43 per week (the portion of BTWA which is retained is not included when assessing this), 75% of the Rent/Mortgage Interest Supplement which was received prior to taking up BTWEA or Revenue Job Assist will be paid in the first year, 50% in the second and 25% in the third and fourth years



Active Labour Market Programmes (ALMP's) are designed to provide employment and training opportunities, primarily to people who have been unemployed for a period of time. The two most significant ALMP's are Community Employment (CE) and Job Initiative (JI).

Community Employment, supported by FÁS, provides part-time employment primarily to

long-term unemployed people, but also includes some other groups who are also eligible e.g. lone parents. CE participants work for an average of 19.5 hours per week (or 39 hours per fortnight). Job Initiative operates throughout all 38 Area-based Partnerships and is designed to provide full-time work to individuals, who are over 35 and who have not had regular employment in the last five years.

CE and JI – Secondary Benefits	
EFFECT	INCENTIVES
If total household income (except FIS for JI only) is greater than €317.43 per week, most secondary benefits will not be retained	If total household income is less than €317.43 per week (If a JI worker is entitled to FIS, FIS is not included in the calculation), most secondary benefits will be retained
CE Participants will not qualify for FIS	JI Workers can retain the CDA (child dependent allowance) portion of their social welfare payment for 13 weeks or alternatively, they may qualify for Family Income Supplement (FIS) if they have children
Additional income may affect secondary benefits	May be entitled to retain Medical Card for 3 years
If a JI Worker lives in Corporation or County Council housing, their differential rent may increase immediately. A one-year exemption to rent increases applies in some Partnership areas	If total household income is less than €317.43 per week (excluding FIS if applicable for JI workers), 75% of the Rent/Mortgage Interest Supplement which was received prior to starting CE or JI will be paid in the first year, 50% in the second and 25% in the third and fourth years
	Upon finishing a CE project and applying for an unemployment payment, a person can choose the payment of most benefit to them, long-term UA or UB.

The Social Economy Programme aims to support the development of social economy enterprises that will benefit the economic and social development of local communities. The Social Economy programme provides full-time and part-time work opportunities primarily for people who are long-term unemployed.

Social Economy Programme and Secondary Benefits	
IMPACT	INCENTIVES
If total household income is greater than €317.43 per week, most secondary benefits will not be retained	If total household income is less than €317.43 per week (FIS, if applicable is not included in the calculation), most secondary benefits will be retained
	Eligible grant-aided employees will be eligible to apply for FIS
	May be entitled to retain Medical Card for 3 years
	If total household income is less than €317.43 per week (excluding FIS if applicable), 75% of the Rent/Mortgage Interest Supplement which was received prior to starting CE or JI will be paid in the first year, 50% in the second and 25% in the third and fourth years
	Following a workers completion of a Social Economy Programme, this period may be considered as part of the qualifying period for the "Back to Work Allowance"

There are a number of ways social welfare payments may be affected by part-time employment. It is possible for a person to retain Unemployment Assistance or Unemployment Benefit and work up to 3 days in a period of 6 consecutive days. Any work in a day is considered a day of employment.

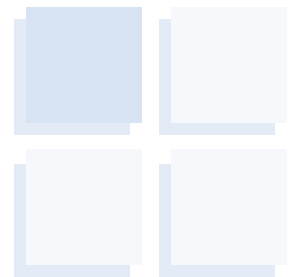
Part-time work and Unemployment Benefit

It is possible to claim Unemployment Benefit and work for up to three days a week. Unemployment Benefit will not be paid for any day(s) a UB claimant has worked. Work on a Sunday will not affect payment in any way.

Part-time work and Unemployment Assistance

Earnings from employment are assessed against Unemployment Assistance as follows:

- In the case of claimants with child dependents, 60 per cent of net (after tax) earnings will be deducted from the weekly UA payment.
- For all claimants with no child dependents, €12.70 will be allowed for each day worked before deductions, and all net earnings in excess of this will be assessed at 60 per cent.



FIS is a weekly cash payment to help families on low pay. The Department of Social & Family Affairs administer this payment. Payment of FIS continues for a year, regardless of any increase in income. It is necessary to reapply at the end of each 12-month period in order to receive FIS for a further 12 months.

To be entitled to FIS a claimant must:

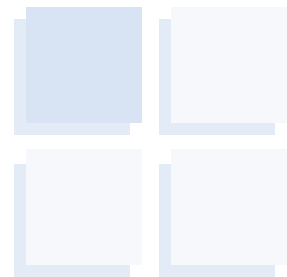
- Expect to be employed for at least three months.
- Be working for at least 19 hours a week or 38 hours every fortnight and not getting Unemployment Benefit or Assistance. Both partners hours can be added together to make up the 19 hours.
- Have at least one qualifying child i.e. a child under the age of 18, or aged 18-22 if in full-time education who is normally living with and being supported by the claimant.
- Pass a means test where net income (less tax and PRSI) will be compared to an amount of money (set by the Department) which is considered a suitable wage according to family size (see below).
- In the means test, all the claimant's and their partner's income will be taken into account except: Child Benefit, Orphans Allowance/Pension, Carer's Allowance, Domiciliary Care Allowance, Rent Supplement, Supplementary Welfare Allowance, Foster Child Allowance, unearned income (i.e. rent from property or

interest on savings).

Family Size	Department's Net Income Guidelines
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One child	€379
Two children	€405
Three children	€430
Four children	€455
Five children	€487
Six children	€513
Seven children	€534
Eight or more children	€556

If the net (after tax and deductions) wage is less than the set figure for family size, a claimant will receive 60% of the difference.



Many social welfare payments are now treated as taxable income. This means that if an unemployed person, or their spouse/partner, earn any extra income their social welfare payment will use up either all, or some, of the tax credits.

The main social welfare payments that are taxable, are:

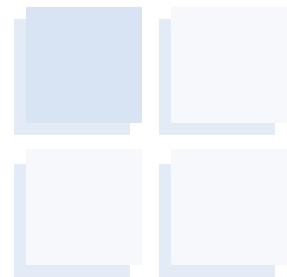
- Unemployment Benefit
- One Parent Family Payment
- Disability Benefit
- Invalidity Pension
- Blind Pension
- Old Age Contributory/ Non Contributory Pension
- Retirement Pension
- Widow/Widowers Contributory/ Non Contributory Pension
- Deserted Wife's Benefit
- Orphans Contributory Credit
- Orphans Non Contributory Pension

An unemployed person claiming a taxable social welfare payment must notify the tax office of the additional income from earnings or other sources. The tax office will 'code-in' details of the social welfare payment and apply it to the tax charged on other income. Tax due on income is not deducted from the social welfare payment, but is taken from the other income source.

If an unemployed person's only income is a social welfare payment, they will not pay tax.

Certain payments from the Department of Social & Family Affairs are not treated as taxable income. The main social welfare payments that are not taxable are:

- Unemployment Assistance
- Child Dependant increases payable with UB, UA and Disability Benefit
- Family Income Supplement
- Back To Work Allowance
- Disability Allowance
- Maternity Benefit
- Child Benefit
- Health Board Payments
- First €12.70 of UB or DB



Paying Tax

Most employees are part of the Pay As You Earn (PAYE) tax category. In practice this means that any income tax is deducted from wages by an employer.

- Self-employed people are responsible for compiling their own tax returns and should seek advice from the local tax office as to how this operates.
- Unlike the social welfare system the tax system does not recognise co-habitation. This means that unless a person is legally married they will be treated as a single person for tax purposes. A person must inform the tax office if they are co-habiting.

Tax Credits

A 'Determination of Tax Credits and Standard Rate Cut-off Point Notice' has replaced the old Certificate of Personal Tax Free Allowances. It is necessary to obtain this upon taking up employment. This notice gives information that allows a person to work out how much tax they will pay on their earnings. The two main tax rates for the tax year that started on the 1st January 2003 are 20% (standard) and 42% (higher).

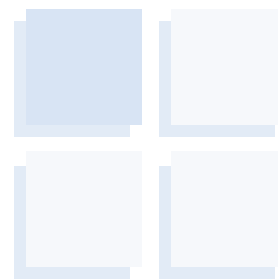
Since the start of 2002, the tax year runs from January 1st to December 31st, in line with the calendar year.

The Tax Credit System

Under the old tax system, allowances were deducted from gross income before tax due was calculated. With the new system, tax is calculated on total gross income, but then the tax due is reduced by an amount equivalent to an individual's tax credits. The situation is complicated by the fact that some allowances, such as Revenue Job Assist, have not been transferred over to the tax credit system.

The following table lists the main tax credits available from January 2003.

Single Person's Tax Credit	€1,520
Married Couple's Tax Credit	€3,040
Home Carer's Tax Credit	€770
Lone Parent's Tax Credit	€1,520
PAYE Tax Credit	€660



Pay As You Earn (PAYE)

PAYE income tax is charged on a tax yearly basis (unlike PRSI and the Health Contribution). Consequently, tax credits are averaged out over the tax year. It is important to note that if a person takes up a job at any stage in the tax year, they can still avail of their full annual allocation of tax credits. This is called 'cumulative' tax credits. Tax credits cannot be carried into the following year.

Income from any source including employment, self-employment, pensions and some social welfare payments (see Tax and Social Welfare) will be assessed for tax.

Every employee who is a PAYE worker receives an additional tax credit of €800 per year. People availing of the Tax Exemption Limits have their PAYE allowance already included in the Exemption Limits.

There are a variety of personal credits available for widowed people, depending on the year of bereavement and the number of dependent children. There are additional credits available for blind persons, those with dependant relatives, incapacitated children and those who are incapacitated and employing a carer. There is also relief available for medical expenses, contributions to pension schemes and health insurance which is applied at source.

If paying a mortgage a person is entitled to tax relief, which is applied at source.

Income Tax Rates & Bands

There are two main rates of income tax, the 20% standard rate and the 42% higher rate. When income exceeds a certain level, tax is paid at the higher rate of 42%. This level is called a "tax band". Different tax bands apply to different types of household. For example:

Single & widowed people without children	€28,000
Single & widowed people with children	€32,000
Married Couple with one income	€37,000
Married couple with two incomes	€56,000 (maximum)

For income below these amounts, tax is paid at the standard rate of 20%.

Tax Exemption Scheme

There is a tax exemption scheme of benefit to people on low income aged over 65 and to people on low incomes with large families.

Marginal Relief

If a person is availing of the Tax Exemption Scheme and their annual income goes over the scheme's limits, they will pay tax at 40% on the additional income. This is called Marginal Relief. Although this is a very high rate of tax, the Tax Exemption Scheme may be of benefit to some people whose total income only slightly exceeds the limit. For further information see leaflet IT8 - 'Tax Exemption and Marginal Relief' (Revenue Commissioners).

