

# Tax Expenditure on Occupational Pensions in Ireland: relevance, cost & distribution

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# Outline

1. Introduction
2. Data
3. Pensioners and the Income Distribution
4. The Income of Pensioners
5. Pension Contributions
6. The Distribution of Tax Expenditure (a 1<sup>st</sup> estimate)



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# 1. Introduction

- Part of a research project on pensions, pension contributions and associated tax expenditures
- Objective here:
  - establish the role of pensions (various) in pensioners income
  - estimate the distribution of tax expenditure on pension contributions



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## 2. Data

- SILC
  - 2013 used here (released January 2015)
  - 4,922 households and 12,663 individuals
  - sample weights to make nationally representative
- Pensioners
  - those aged 66yrs or more
  - PES categories...



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<b>PES description</b>	<b>0-65 yrs</b>	<b>66yrs+</b>
At work	39.3	6.8
Unemployed	9.6	0.1
Student	9.3	0.1
Home duties	8.5	28.7
Retired	2.3	59.7
Ill/disabled	3.7	4.2
Other inactive person	1.1	0.3
Aged <16yrs	26.3	0.0



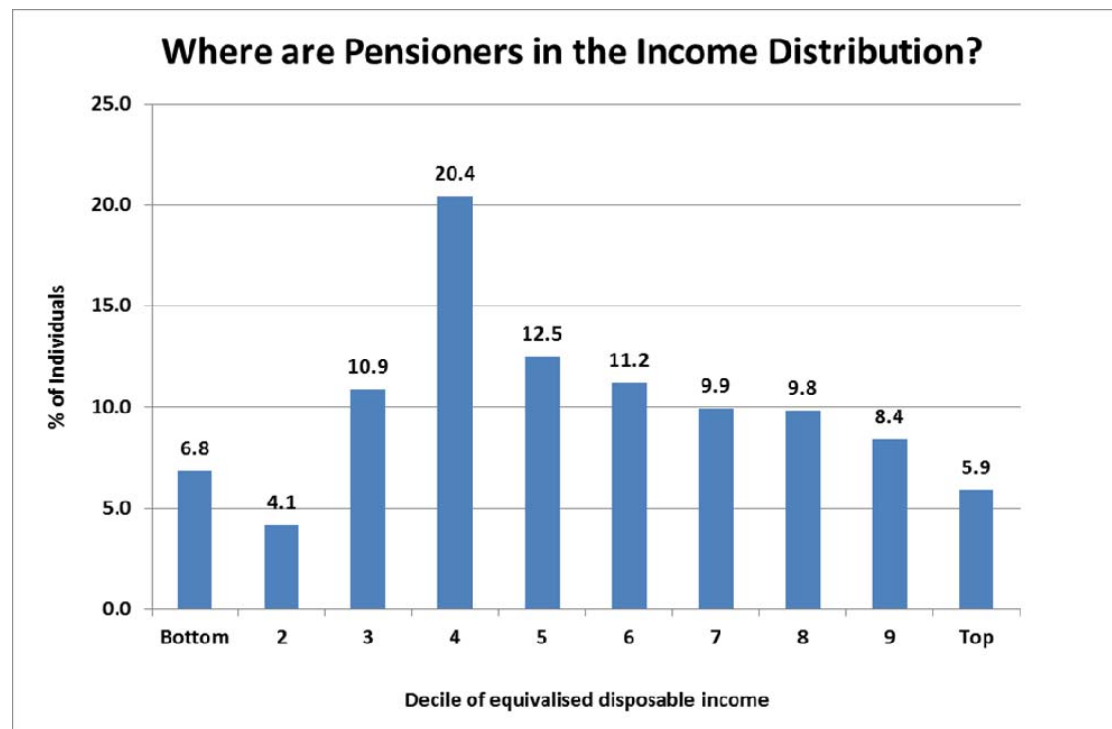
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### 3. Pensioners and the Income Dist.

- Using equivalised gross income, plot where pensioners are:



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## 4. The Income of Pensioners

- SILC data:
  - info on all categories of income
  - looking at a decomposition of gross income
  - terms:
    - *Private pensions* = private plans...not employment related
    - *Occupational pensions* = pension scheme of company/organisation
    - *Old age related payments* = various social protection payments



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<b>Income Category</b>	<b>Average</b>	<b>Average</b>
Employee Income	3.9%	789.63
SE Income	3.9%	780.97
Private pension income	3.7%	734.71
Occupational pension	27.0%	5,401.27
Old-age related payments	54.1%	10,837.50
Rent income	1.5%	291.57
Investment income	1.6%	325.83
Other direct income	0.0%	1.16
Housing allowances	2.7%	543.88
Other social transfers	1.6%	321.17
<b>Gross Income</b>	<b>100.0%</b>	<b>20,027.70</b>



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- Relevance:
  - On average, 31% of income for those retired from pensions
  - Mainly occupational related
- Structure differs by deciles
  - using %
  - looking at bottom 2, middle 2 and top 2



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Income Category	Bottom	2nd	5 <sup>th</sup>	6 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>
Employee Income	0.1%	0.3%	0.6%	1.0%	4.8%	14.3%
SE Income	3.6%	1.9%	2.0%	3.4%	5.4%	8.6%
Private pension income	2.3%	2.5%	1.5%	4.5%	5.9%	8.7%
Occupational pension	11.0%	5.6%	9.9%	19.2%	48.8%	45.8%
Old-age related payments	62.6%	73.3%	79.2%	62.7%	28.3%	14.5%
Rent income	2.4%	2.3%	0.7%	0.4%	2.5%	2.4%
Investment income	1.3%	3.0%	0.5%	1.0%	3.5%	4.2%
Other direct income	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Housing allowances	8.2%	6.0%	3.9%	2.5%	0.9%	0.4%
Other social transfers	8.3%	4.9%	1.6%	5.3%	0.0%	1.0%
<b>Gross Income</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



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## 5. Pension Contributions

- SILC data allows us to examine 3 types of pension contributions:
  - individuals into occupational pensions
  - employer contributions for individuals
  - private pension contributions
- Breakdown shows:
  - high no of individuals making contributions...
  - a lot of small contributions...



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From	To	Of those who contribute %	Cumulative %
	less than 250.00	7.0%	7.0%
250	499.99	8.9%	15.9%
500	749.99	9.1%	25.0%
750	999.99	10.0%	34.9%
1000	1499.99	12.6%	47.5%
1500	1999.99	7.3%	54.8%
2000	2999.99	7.3%	62.1%
3000	3999.99	7.6%	69.7%
4000	4999.99	6.0%	75.7%
5000	5999.99	5.6%	81.3%
6000	6999.99	4.9%	86.2%
7000	7999.99	3.7%	89.9%
8000	8999.99	2.5%	92.4%
9000	9999.99	1.9%	94.3%
10000	19999.99	4.3%	98.6%
	20000 plus	1.4%	100.0%
		<b>100.0%</b>	

**25% < €750**

**35% < €1,000**

**20% > €6,000**

**10% > €8,000**



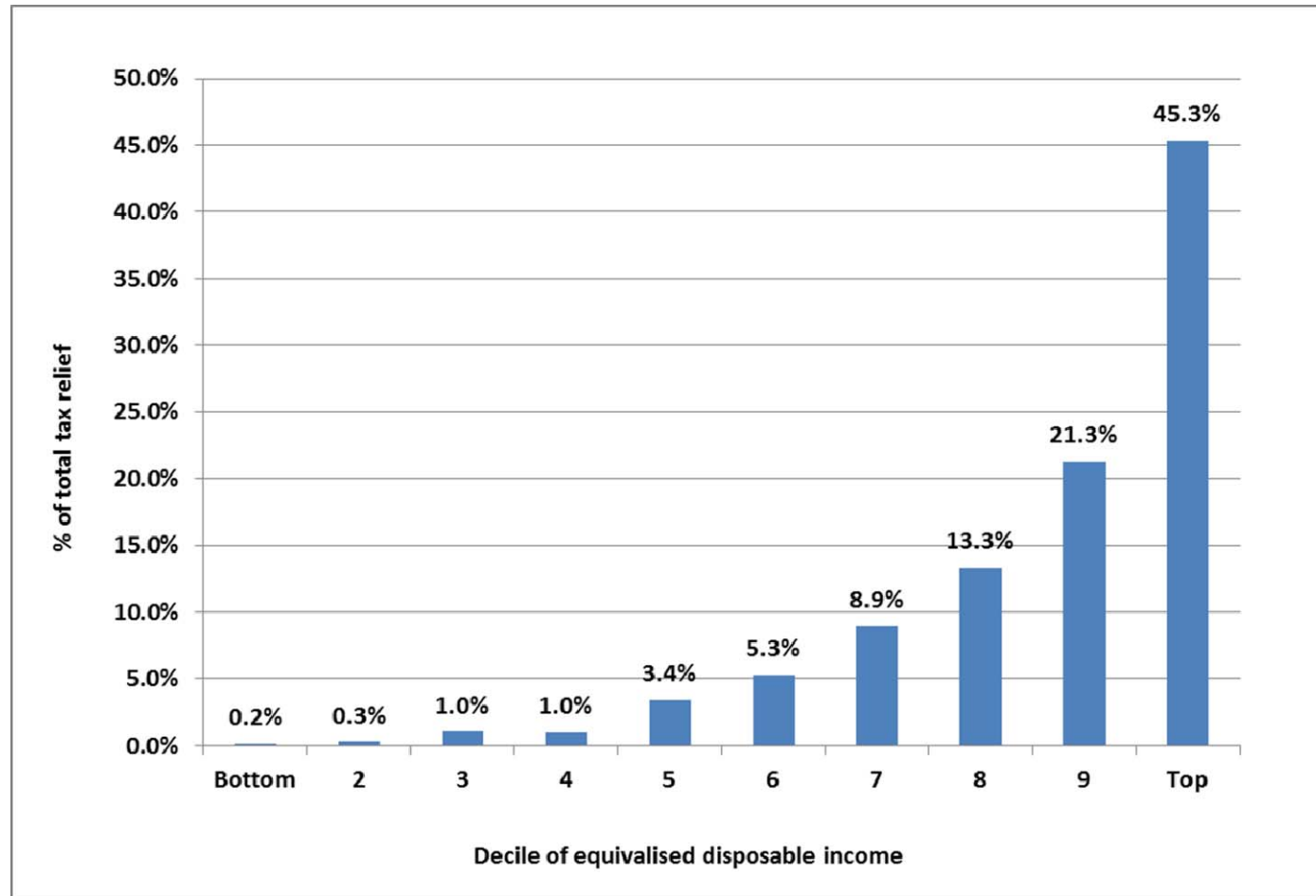
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## 6. The Distribution of Tax Expenditure – a 1<sup>st</sup> estimate

- We have overall Revenue data (improving...)
- Some assumptions to establish an initial estimate
- 2013 tax year
  - have assumed all individual earners
  - have their taxable income
  - determine what rate people are on (0%, 20%, 41%)
  - have their total pension contribution (all 3 combined)
  - can estimate tax expenditure cost
  - provisos...



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## 7. Next Steps

- Ongoing research project – aim TCD PPRG 2016
- Further decompositions across each of the three pension contributions
- Refine tax relief estimates – and link to Revenue estimates
- More work to investigate employee contributions
- Refine estimates of tax relief to look at all three pension contributions individually
- Public sector issues
- Ideas/suggestions = welcome



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