Care Alliance Ireland

'Guiding support for family carers'

An Tánaiste Simon Harris T.D., Minister for Finance,
Department of Finance, Government Buildings,
Upper Merrion Street, Dublin 2, D02 R583

June 12th 2026

By post and email to minister@finance.gov.ie

Re: Pre-Budget Submission for Budget 2027 — Making Carer's Allowance and Carer's Benefit Tax-Exempt

Dear Tánaiste and Minister,

On behalf of Care Alliance Ireland, I am writing to ask that Budget 2027 include a clear commitment to make Carer's Allowance and Carer's Benefit exempt from income tax from January 1st 2027, and that the necessary legislative provision be included in the 2027 Finance Bill.

Care Alliance Ireland set out the rationale for this reform in our February 2026 position paper, ***Making Carer's Allowance and Carer's Benefit Tax-Exempt in the Republic of Ireland*** https://bit.ly/4x8NGB8 The paper highlighted the policy anomaly whereby a payment made to recognise and support full-time caring is treated as taxable income.

The issue is not simply the number of carers who ultimately incur a liability. Rather, the current treatment sends the wrong policy signal. Carer's Allowance is a modest, means-tested income support for people whose capacity for paid work is significantly constrained by full-time caring. Taxing it causes anxiety and perceived unfairness, particularly where family carers are already navigating complex welfare, health and care systems.

The anomaly of taxing a payment that recognises unpaid caring responsibilities contrasts with the long-term and continued tax exemption of Child Benefit and the Foster Care Allowance.

Indicative cost to the Exchequer

We acknowledge that in the long-term definitive costings should be carried out through the preparation of an Exchequer Note setting out the expected cost, distributional impact, gender impact and administrative simplification benefits of the measure.

However, on the basis of publicly available information, the likely Exchequer cost appears modest in the context of overall carer supports. The Minister for Social Protection reported in

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January 2026 that fewer than 10% of the approximately 104,000 recipients of Carer's Allowance or Carer's Benefit (CA/CB) were expected to have an income tax liability, and that in most such cases the liability would be less than €1,000.

This submission is informed by official Budget 2026 costing projections:

- DSP estimated the expenditure cost of the 60% increased income disregard from July 2026 to be €10m for 2026;
- €20m is our estimate for the full year cost assuming 1,500 new applicants in a full year.

We also estimate an additional 1,500 CA/CB recipients in the full year 2027 to account for the behavioural impact of any new tax-exempt policy for CA/CB, specifically on the likelihood of pre-existing eligible carers applying for CA/CB.

We also conservatively assume that all these new 'higher income household' recipients would incur income tax at the marginal rate of 40%. We estimate that exempting CA/CB from income tax would reduce exchequer revenue by approximately €72m annually (€54m from our January estimates, per Appendix I, and an additional €18m to account for the full-year impact of the July 2026 increase in income disregard and any likely behavioural impacts).

Making CA/CB tax-exempt would be an administratively simple and a symbolically important reform. It would improve consistency in respect of the 35 other income support payments that are currently tax exempt, remove a source of anxiety for carers, improve coherence in the treatment of carer income supports, and better align tax policy with the State's stated recognition of the social and economic value of family care.

Yours sincerely,

Liam O'Sullivan
CEO
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Appendix I

Draft estimates of tax forgone if Carer's Allowance and Carer's Benefit were tax exempt.

January 28th, 2026

Assumptions

- Recipients: 110,000 (per DSP stats for 2026; 105,750 CA and 4,250 CB)
- Recipients liable for income tax currently: 10% ⇒ 11,000 people (estimate based on government reporting)
- Assume all get the full CA/CB rate: €14,310 p.a. (conservative assumption, includes Christmas bonus; note that some will only receive the half rate or will get a reduced rate)
- Assume Average Household Income from Employment (again conservative, excluding CA/CB):
    - €32,500 p/a for those not jointly assessed (max possible earnings from employment while still receiving full rate of CA/CB)
    - €65,000 p/a for those jointly assessed (max possible household earnings from employment while still receiving full rate of CA/CB)
    - So all CA/CB received will be subject to income tax (conservative assumption)
- **Assume** 80% are jointly assessed and 20% are not jointly assessed (anecdotal observations – subject to confirmation by the Revenue Commissioners)

Not jointly assessed (20%)

- Non- CA/CB income: €32,500
- CA/CB: €14,310
- Total income: €46,810
- Income already used in 20% band before CA/CB: €32,500
- Remaining 20% band space: €44,000 − €32,500 = €11,500
  So: €11,500 of CA/CB @ 20% €2,810 of CA/CB @ 40%
  Total Maximum Tax on CA €3,424 (likely much lower)

Jointly assessed (80%)

Assume:

- Non- CA/CB income (€65,000) is the main earner
- CA/CB (€14,310) is the lower earner

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Standard rate band

- Married base band: €53,000
- Two-income increase = lower earner income (€14,310)
- Expanded 20% band = €67,310

Income position

- Total income: €65,000 + €14,310 = €79,310

Tax on CA/CB (joint)

- €12,000 × 40% = €4,800
- €2,310 × 20% = €462

Total per person: €5,262 (effective tax rate on CA/CB here ≈ 36.8%)

In Summary

- 110,000 recipients
- 10% pay some income tax ⇒ 11,000 people
- 80% jointly assessed / 20% not
- Then annual estimate maximum Income Tax revenue foregone is:
  - Jointly assessed – 8,800 × €5,262 = €46.31m
  - Not jointly assessed – 2,200 × €3,424 = €7.53m

Total ≈ €53.8 per year (maximum, based on very conservative figures above)

- As a share of total spend on CA/CB (€1.46bn) **≈ 3.7%**

Conclusion

Exempting Carer's Allowance / Carer's Benefit from Income Tax would cost a likely maximum of €54m per annum ***but likely a lot less*** as not all recipients would have other household income as high as the assumptions made above.

Author's Note: A full Exchequer note will be required to test/validate these rough estimates.

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