

Making Carer's Allowance and Carer's Benefit Tax-Exempt in the Republic of Ireland



Guiding support for family carers

Position Paper
February 2026

Introduction

The purpose of this Position Paper is to set out the case for making Carer's Allowance and Carer's Benefit in the Republic of Ireland exempt from income tax, aligning it with a number of comparable State income supports that are already treated as tax-exempt. This Paper presents the background to the issue, and the financial, moral, precedent, adequacy and equity-based arguments, supported by peer-reviewed research. The Paper then proposes practical policy options.

Executive Summary

Carer's Allowance/Benefit is a means-tested income support for people providing full-time care. For income tax purposes, the Revenue Commissioners treat Carer's Allowance/Benefit as a taxable Department of Social Protection (DSP) payment (subject to standard tax thresholds and credits).

Currently there are 35 tax-exempt DSP benefits. Several closely related State payments that recognise socially valuable or care-related roles are tax-exempt, including the Disability Allowance, Child Benefit and the Foster Care Allowance.

There is considerable precedent for making income supports for family carers tax-exempt, both in Ireland (the Carer's Support Grant) and internationally.

Peer-reviewed research consistently links intensive unpaid caring with financial strain, reduced labour market participation and elevated health risks.

Taxing Carer's Allowance/Benefit reduces income adequacy, increases complexity, and can add a structural stressor to households already under pressure.

Care Alliance Ireland recommends legislating to make Carer's Allowance/Benefit exempt from income tax, therefore aligning it with key comparator payments and improving clarity and fairness.

1. Background

1.1 Family care is a core component of Ireland's care system

Unpaid family and community care underpins Ireland's ability to support older people, disabled people and those with chronic illness to live at home and in their communities. This is not an 'adjunct' to formal services: it is a foundational input to the sustainability of the care system.

Research published in November 2025 by Healthy Ireland¹ confirmed that upwards of 600,000, or nearly 1 in 7, of our population aged 15 and over, are providing unpaid care to a family member with additional needs. Women (17%) are more likely than men (11%) to say they are carers.

1.2 Current tax treatment is increasingly visible and contentious

From 1 January 2026, the Revenue Commissioners are automatically notified when an individual is awarded Carer's Allowance or Benefit (replacing the previous self-declaration approach). This has increased the public awareness of the current policy and created distress for some family carers².

1.3 The current policy creates policy tensions

The current policy creates three policy tensions:

Recognition mismatch: The State relies on family carers, but taxes one of the principal income supports that enables this caring.

Equity mismatch: Caring-related supports are treated inconsistently across population groups (children, disability, fostering).

Administrative mismatch: The combination of means-testing plus taxation can produce complexity, lack of understanding and compliance issues, especially for households under pressure.

2. Policy Context: Inconsistent Tax Treatment Across Comparable Supports

The Revenue Commissioners’ guidance sets out that, in general, DSP payments are taxable unless specifically exempt. However, Revenue publishes a lengthy list of 35 tax-exempt DSP benefits³ (including Disability Allowance, Child Benefit and the Carer’s Support Grant).

Comparator payments currently treated as tax-exempt are illustrated in the table:

Payment	Purpose/policy intent	Tax treatment
Disability Allowance	Income support linked to disability and constrained capacity/additional needs.	Tax-exempt.
Child Benefit	Universal support recognising the public value and cost of raising children.	Tax-exempt.
Foster Care Allowance	Support for delegated care responsibilities within a regulated framework.	Tax-exempt.
Carer’s Allowance/Benefit	Means-tested⁴ (CA only) income support for full-time caring roles; intended to sustain care at home.	Taxable

3. The Case for Tax Exemption

3.1 Financial and system-sustainability arguments

Carer's Allowance/Benefit is designed to support people whose full-time (>35 hours) caring responsibilities materially reduce their capacity for paid employment.

Taxation of this allowance/benefit reduces income adequacy and can increase both individual and household poverty risk among households managing high caring intensity and additional costs.

Research shows that family carers frequently experience significant financial strain⁵ and out-of-pocket costs. Where income supports are insufficient, pressures can intensify. People with disabilities, generally living in the same household as their family carers, also often experience additional costs associated with their disability, thus compounding the overall 'household risk' of poverty. These 'costs of disability' have been independently estimated⁶ at approximately €10,000 per year. More recent ESRI research⁷ suggests even higher costs, in particular for those with severe limitations.

From a system perspective, sustaining family care capacity contributes significantly to avoidance of extremely costly 'downstream' costs, such as unplanned hospital admissions, delayed discharge, and earlier entry to long-term residential care. An additional systemic consideration is the proven health disadvantages that family carers experience, with inability to sustain carers' personal health leading to loss of care capacity.

3.2 Moral argument: Reciprocity and recognition

3.2.1 Reciprocity and social solidarity

Family carers deliver continuous, often non-negotiable, support that the State would otherwise need to provide directly or purchase. A reciprocity-based approach holds that the State should avoid policies that reduce the adequacy of core supports sustaining that care – particularly where the support is tightly linked to constrained earning capacity and elevated stress burden. Carer’s Allowance/Benefit functions less like discretionary ‘income’ and more like a support that enables delivery of a public good: care at home.

3.2.2 ‘Not ordinary income’

Carer’s Allowance/Benefit is not analogous to wage income: it is conditional on a caring role that frequently displaces paid work and generates additional costs. Taxation treats it as if it were discretionary personal income, rather than a support enabling a public good.

3.3 Living wage and minimum wage comparators

3.3.1 Below minimum and living wage benchmarks

The rate of Carer’s Allowance/Benefit is less than 50% of the minimum wage and an even lower percentage (<45%) of the living wage⁸. Both of these (minimum wage and living wage) are frequently reviewed and objectively set at a level that is deemed high enough to prevent exploitation and poverty and to meet a minimum acceptable standard of living.

3.4 Equity arguments

3.4.1 Gender equity

Caring is disproportionately undertaken by women, and Irish research

shows that labour market participation decreases as care hours increase. Healthy Ireland reported in 2025⁹ that women aged between 45 and 54 (28%) and 55 and 64 (26%) are the most likely to report being carers, significantly higher prevalence rates than those reported for men. Taxing Carer's Allowance/Benefit can therefore operate as a gendered penalty, compounding known existing lifetime income and pension gaps for women. For a female carer, the taxation of Carer's Allowance/Benefit also risks undermining her own financial independence.

3.4.2 Horizontal equity

The State already exempts certain socially valuable care-related payments from tax (e.g., Child Benefit, Foster Care Allowance, Disability Allowance). Carer's Allowance/Benefit supports an equally essential caring function and should be treated consistently.

3.4.3 Vertical equity

Carer's Allowance/Benefit is currently means-tested. Taxation layered on top of means-testing can erode net support and introduce complexity for low- and modest-income households.

4. Fiscal and Administrative Arguments for Tax Exemption

4.1 Likely limited Exchequer exposure relative to perceived harm

Public reporting in January 2026¹⁰ indicates that less than 10% of carers in receipt of carer payments are expected to have a tax liability, suggesting the revenue yield may be limited relative to the administrative and hardship impacts.

The policy implication of this is that if the tax take is concentrated

among a minority and creates disproportionate complexity and distress, exemption can be a high-impact simplification with a potentially modest fiscal cost (relative to overall health and social care expenditure).

4.2 System-cost-avoidance logic

Where Carer's Allowance/Benefit supports care that prevents or delays escalation to formal services, improving the adequacy and stability of that support can reduce very significant 'downstream' costs. The evidence base showing high financial and health burden among carers supports the plausibility of cost offsets, particularly for high-intensity caring.

4.3 Administrative efficiency and compliance

Revenue's move to automated notification from 1 January 2026 is a rational administrative step, but it also exposes that many carers do not perceive these payments as 'taxable income' in the ordinary sense.

A tax-exempt approach reduces the need for tax adjustments, unexpected liabilities, and repeated communications, improving system clarity.

5. Precedent for Making Carer Support Payments Tax-Exempt

5.1 Comparable Irish supports are tax-exempt

The long-standing Carer Support Grant (previously called the Carer's Respite Grant) is payable to all eligible full-time family carers, is not means-tested and is not considered to be taxable income. The precedent is therefore well established and this practice is rarely if ever politically or administratively contentious.

5.2 Similar payments internationally are tax-exempt

Internationally, there is also considerable precedent for income supports for family carers being tax-exempt. In New Zealand, Inland Revenue NZ¹¹ states that Carer Support payments are a reimbursement and ‘not taxable’. In Australia, the Carer Allowance¹² (a supplement to help with caring costs) is treated as tax-exempt.

6. Evidence on the Impacts of Caring

Peer-reviewed research provides a consistent basis for viewing intensive family caring as associated with (i) financial strain, (ii) reduced labour market participation and opportunity costs, and (iii) health impacts linked to chronic stress. Selected findings include the following.

6.1 Financial strain

Systematic¹³ and empirical studies¹⁴ in serious illness and palliative care settings identify substantial financial impacts for family carers (including out-of-pocket spending and reduced household resources).

6.2 Labour market impacts

Irish evidence¹⁵ demonstrates that labour force participation declines sharply as caring hours increase, indicating opportunity cost and heightened income vulnerability among carers. Due to the age profile of many family carers, employers can experience a significant loss of experience and expertise when older workers are obliged to cut down hours or leave employment^{16 17}.



Employers are losing talented people in whom they have invested significant time and money. The peak age for caring – 45-64 – is also the point at which people are most likely to have developed the skills employers need to succeed. Losing a member of staff costs business between 1 to 1.5 times the annual salary of a staff member .

Carers UK, Response to Consultation, 2020



6.3 Health impacts

Systematic reviews¹⁸ identify caregiving as a chronic stress exposure associated with elevated risk signals for cardiovascular outcomes and poorer mental health among some carer groups. In an Irish context, family caring in Ireland has long been associated with poor health outcomes such as stress, burnout and illness¹⁹.

TILDA's most recent report²⁰ shows that high-intensity unpaid caregiving among older adults – especially women – is associated with poorer overall wellbeing and mental health outcomes (quality of life, depression). These impacts are likely to affect State services downstream, and postponing or minimising them could have considerable effect on healthcare costs.

7. Recommendations

7.1 Establish fiscal implications

Informed by the Parliamentary Budget Office's imminent publication²¹, publish an Exchequer note detailing the fiscal implications, distributional impacts (including gender) and administrative simplification benefits of making Carers Allowance/Benefit tax exempt.

7.2 Legislate to exempt Carer's Allowance/Benefit from income tax

Legislate to make Carer's Allowance/Benefit exempt from income tax, aligned with existing exemptions for Disability Allowance, Child Benefit and Foster Care Allowance.

7.3 Carry out a broader review

Commit to a broader coherence review of the adequacy of carer income supports.

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We encourage readers to refer to the original research for full details, in-depth analysis and discussion, and recommendations which could not be accommodated in this overview.

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Author Transparency Note:

This Paper was prepared with the support of ChatGPT. Specifically we used ChatGPT to generate ideas, edit, summarise and spell check. Care Alliance Ireland endeavours to use AI professionally and ethically and to minimise the risk of errors and bias, by using critical judgement and analysis and fact checking. As an organisation we commit to retain any prompts used as part of the research record. The author has familiarised themselves with TU Dublin's Responsible Use of Generative AI in Research²² and with the HIQA Draft National Guidance for the Responsible and Safe Use of Artificial Intelligence in Health and Social Care Services²³. This is a quickly evolving area and as an organisation we commit to keeping abreast of key developments in relation to AI and Generative AI and how it can both support and potentially be a risk to our work in seeking to influence positive change in the lives of family carers and those who seek to support them.



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