Minister for Finance announces £3,000 tax allowance for one income families whose spouses work at home to care for children, aged, and the handicapped.

The Minister for Finance Mr Charlie McCreevy, TD, referred today to the Budget proposals for individualising tax bands to address the growing problem of the increasing numbers and percentage of taxpayers on the top rate of income tax. The Minister made it clear that had nothing been done to tackle this problem by widening the bands the percentage of taxpayers on the top rate would have soon exceeded fifty per cent.

Last year, the Minister pointed out, the Government standard rated the basic personal allowances and made them of equal value to all taxpayers. "The Government did this because we thought it fair and proper. It allowed us to target resources on the lower paid, which we did again this year." The consequence of this policy move, however, is that personal allowances no longer act to keep taxpayers off the top rate of tax. "The fairest way to widen the tax band is to put this band on an individual basis and tax persons on what they earn as individuals whether single or married."

The Minister also pointed out that individualisation is not an entirely new concept. It is in the tax system already since 1980 in the form of the PAYE allowance. This allowance is based on one's individual status. Married two earners on PAYE both have the PAYE allowance. Married one earners have one PAYE allowance. Furthermore, a number of important and representative reports have examined the issues and the case for individualisation.

These include the Commission on the Family which reported in 1998, the Working Group on the Treatment of Married, Cohabiting and One-Parent Families under the Tax and Social Welfare Codes, the ESRI in its recent pre-budget booklet and the Combat Poverty Agency in its statement issued last week.

The Minister for Finance has reflected on the views expressed on the issue of individualisation of the standard rate tax band as announced by him in the Budget.

Since the Budget, both the Taoiseach and the Minister for Finance have made their intention clear on a number of occasions. It is intended to ensure, as the transition towards individualisation of the tax bands proceeds, that the right balance is maintained between those going out to work and carers in the home.

Consequently the Minister wishes to announce that the Government has decided to bring forward a £3,000 per annum tax allowance at the standard rate of tax in respect of those spouses of married one income families who work in the home caring for children, the aged or handicapped persons. This fulfils a promise made by the Government in the Joint Fianna Fáil and Progressive Democrat Statement issued prior to the June 1997 General Election of an allowance (set at £2,000 then) for families in these circumstances.

The Minister said that this undertaking was always on the list of measures to be pursued in the Government's two remaining Budgets but has been implemented now to recognise the role of spouses who work in the home and to balance the tax relief measures announced in last week's Budget which addressed the position where both spouses were in paid employment.

The full year cost of this measure is estimated at £125 million and the specific details of the operation of the scheme will be set out in the Finance Bill to be published in February next. "This tax relief will go to all one income families on the standard and higher rate of tax at all income levels but will be of greater proportionate value to lower income families because it is standard-rated."

Furthermore, in the light of the strong views expressed on the whole issue of individualisation he proposes to invite the Social Partners to consider the future development of the individualisation process in the course of the current talks on a successor agreement to Partnership 2000.