[15.1.44] Earned Income Tax Credit
Section 472AB, Taxes Consolidation Act, 1997

Updated January 2017

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1. Introduction of new Earned Income Tax Credit

Section 472AB Taxes Consolidation Act 1997 was inserted by Finance Act 2015 and applies for the tax years 2016 et seq. It provides for a maximum tax credit of €950 (€550 for 2016) (computed by reference to the standard rate of income tax) in respect of an individual's earned income.

2. Earned Income

For the purposes of this Earned Income Tax Credit, the qualifying earned income is earned income (as defined in section 3 Taxes Consolidation Act 1997) other than earned income that qualifies for relief under section 472 Taxes Consolidation Act 1997 (Employee (PAYE) Tax Credit).

Example 1 – Non-proprietary director earning €50,000

As the earnings are taken into account for the purposes of the Employee (PAYE) Tax Credit, they are not relevant for the Earned Income Tax Credit.

Example 2 – Proprietary director earning €50,000

As the earnings are not taken into account for the purposes of the Employee (PAYE) Tax Credit, they are relevant for the Earned Income Tax Credit.

3. Interaction with the Employee (PAYE) Tax Credit

Where an individual has earned income that qualifies for

(i) Employee (PAYE) Tax Credit, and

(ii) Earned Income Tax Credit,

the combined value of both Tax Credits cannot exceed €1,650.

Example 3 – Individual has PAYE pension of €6,000 and Case I income of €40,000

Employee (PAYE) Tax Credit

€6,000 x 20% = €1,200*

Earned Income Tax Credit

€40,000 x 20% = €8,000

Maximum Tax Credit = €950

However, the aggregate tax credits cannot exceed €1,650. Therefore the amount of the Earned Income Tax Credit is–

€1,650 - €1,200* = €450

Example 4 - Individual has PAYE pension of €5,000 and Case I income of €2,000

Employee (PAYE) Tax Credit

€5,000 x 20% = €1,000

Earned Income Tax Credit

€2,000 x 20% = €400

As the aggregate of the tax credits is €1,400, there is no restriction.

4. Cases taxed under Joint Assessment

The Tax Credit is based on an individual's income. Where joint assessment applies, a separate tax credit may be due in respect of each spouse's individual income.

Example 5 – Assessable spouse has Case I income of €50,000 and non-assessable spouse has Case II of €2,500

The assessable spouse is due 2 Earned Income Tax Credits, as follows–

Own income – maximum of	€950, plus
Spouse's income (€2,500 x 20%) =	€500.

Example 6 – Assessable spouse has Director's salary of €60,000 and non-assessable spouse has a salary of €40,000 from the same company. Neither are entitled to the Employee (PAYE) Tax Credit.

The assessable spouse is due 2 Earned Income Tax Credits, as follows–

Own income – maximum of	€950, plus
Spouse's income – maximum of	€950.