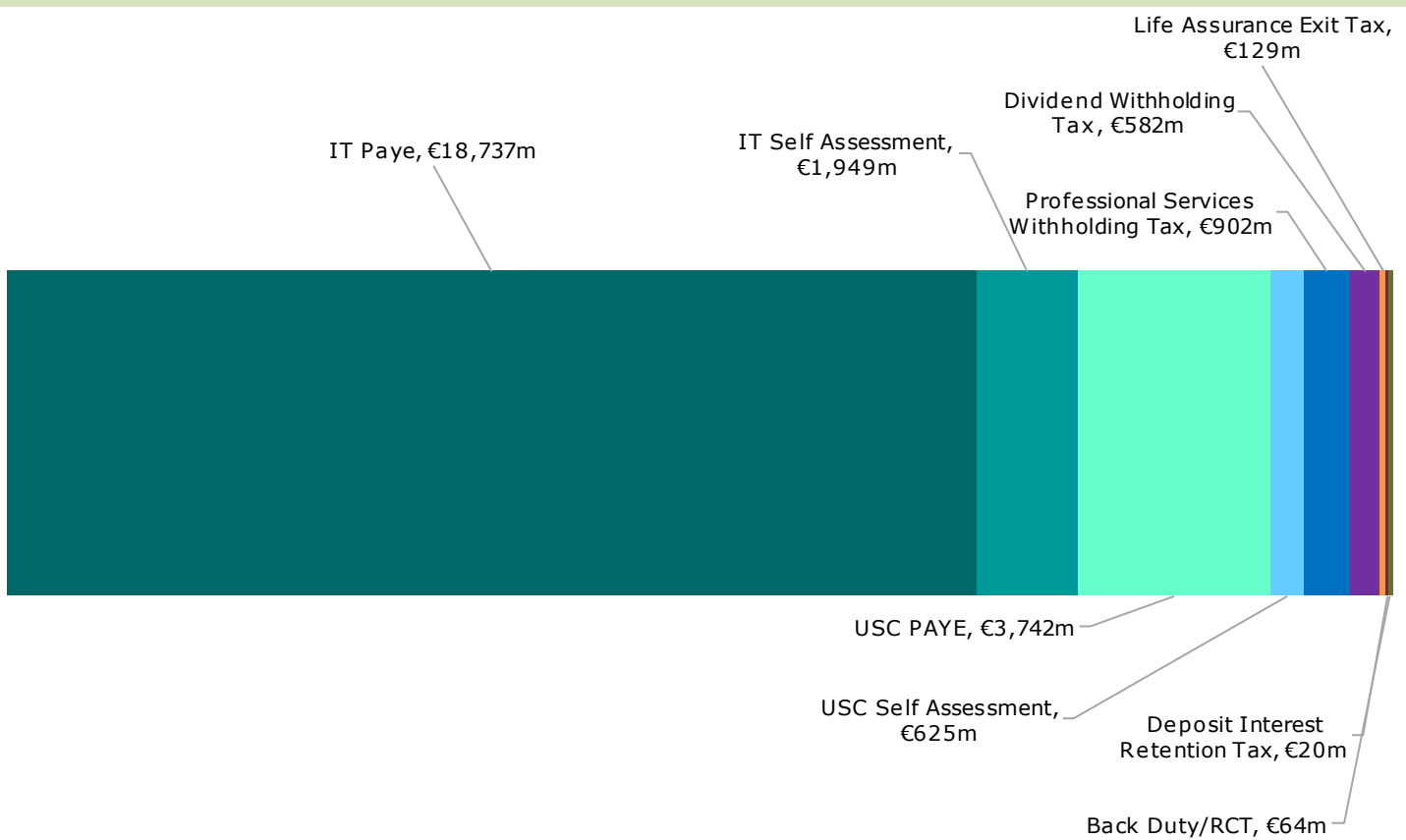


Income Tax Receipts in 2021



26.8 billion

Income Tax (including USC) is the largest taxhead in receipts terms, making up 39 per cent of the overall net tax receipts in 2021.



Total Income Tax receipts increased by €3.8 billion (17 per cent) compared to pre-COVID levels in 2019. This report uses Revenue's real-time reporting data from employers to provide a statistical overview of Income Tax to examine the increase.

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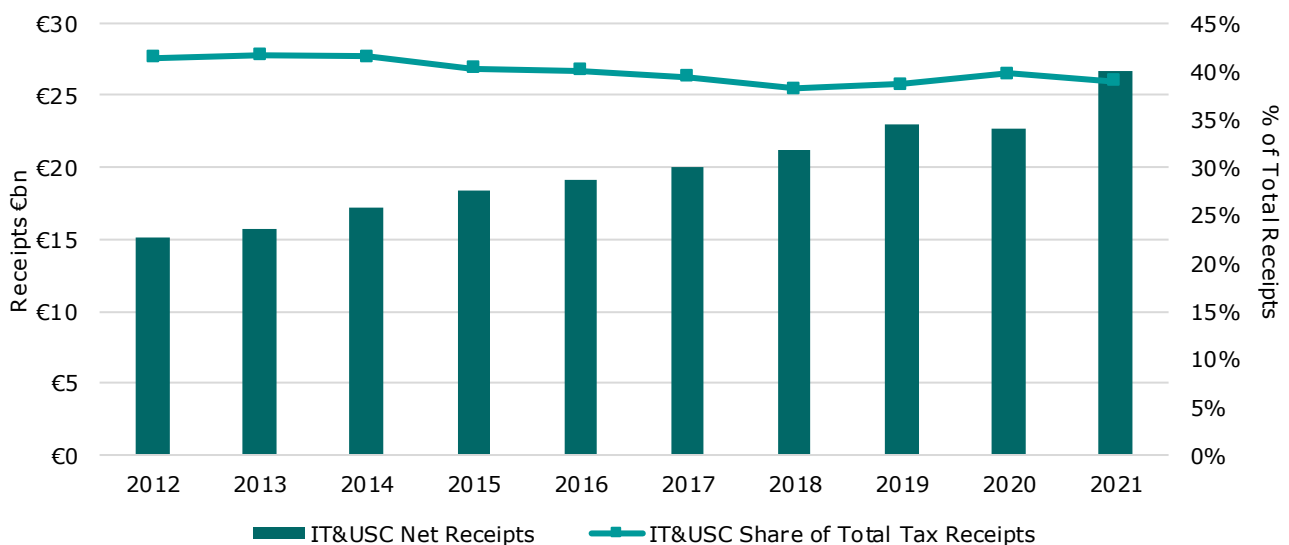
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1 Introduction

Revenue's gross receipts of Income Tax ("IT"), including Universal Social Charge ("USC"), in 2021 were €29.4 billion. With repayments of €2.6 billion, the net transfer to the Exchequer in the year was €26.8 billion.

IT (including USC) is the largest taxhead in receipts terms, making up 39 per cent of the overall net tax receipts in 2021.¹ IT and USC receipts increased continuously over the period 2016 to 2019, by almost €3.8 billion in total over the period. While receipts fell slightly in 2020, by €292 million or 1.3 per cent, 2021 saw a significant annual increase of €4.1 billion or 18 per cent. While comparisons to 2020 are complicated by the impact of COVID-19, the related public health restrictions and the support schemes put in place by Government, receipts in 2021 are still €3.8 billion above 2019 levels.

Figure 1: Income Tax Receipts



Source: Revenue analysis of Exchequer receipts.

A large share of IT receipts in 2021 were made up of PAYE IT (70 per cent). Aside from this, PAYE USC (14 per cent), IT Schedule D self-assessment (7 per cent), Professional Services Withholding Tax (3 per cent), Dividend Withholding Tax (2 per cent) and USC self-assessment (2 per cent) were also relatively large contributors to receipts.

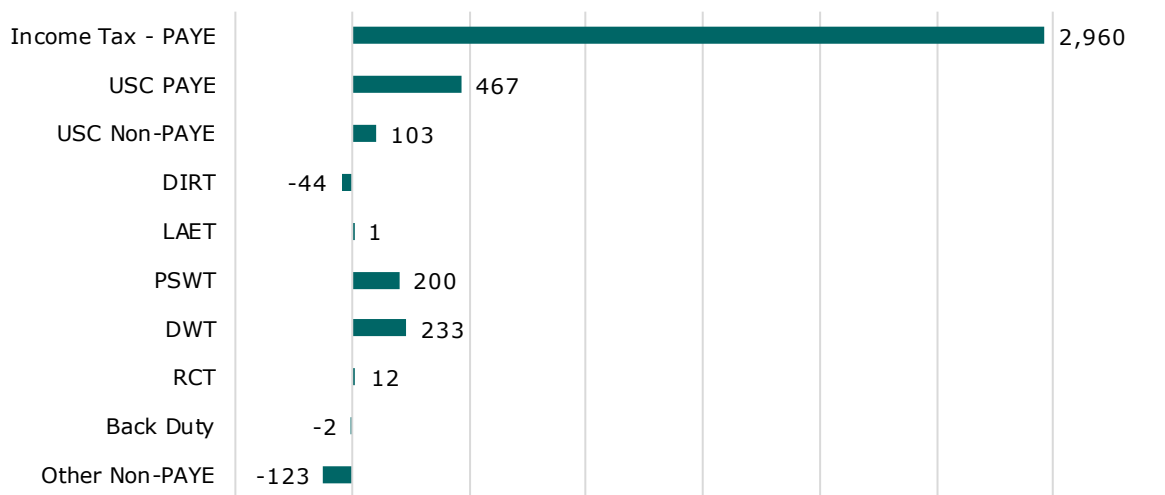
This report provides, in the following sections, a statistical overview of elements of IT with the primary purpose to explain the significant increase in receipts in 2021 compared to the previous pre-COVID year of 2019.

¹ This does not include Pay Related Social Insurance ("PRSI") either here or in any of the analysis presented in this report.

2 Overview

As noted in the introduction, IT net receipts increased by €3.8 billion in 2021 compared to 2019. As Figure 2 illustrates, there has been growth in nearly all Income Tax subheads during this time. However, PAYE IT and PAYE USC combined account for €3.4 billion of this increase and this is the focus of the remainder of the paper. This represented a 17 per cent increase in PAYE IT and USC receipts combined from 2019 to 2021.

Figure 2: Change in Income Tax Receipts by Subhead, 2021 vs 2019, € million



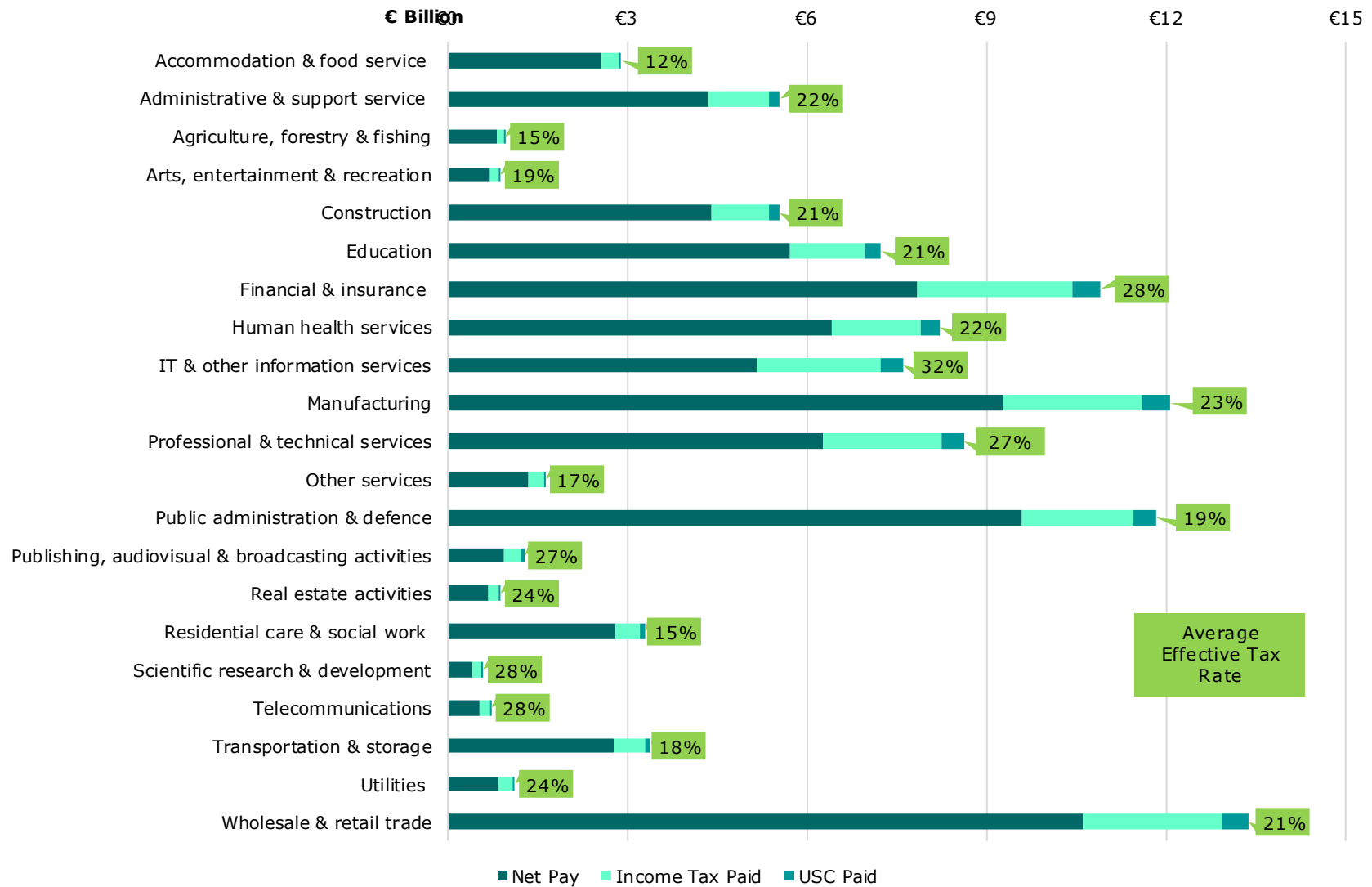
Source: Revenue analysis.

PAYE receipts are paid by employees, as distinct from tax receipts paid through the self-assessment system by, for example, the self-employed. PAYE (IT and USC) is the single largest source of IT receipts by a large margin.

Trends in PAYE receipts are examined in the following sections to explain the increase between 2019 and 2021. For context, Figure 3 shows gross pay of employees in 2021 totalling €108.6 billion for the year, by sector. Also shown are the amounts of IT and USC paid, and the average effective tax rate of each sector.

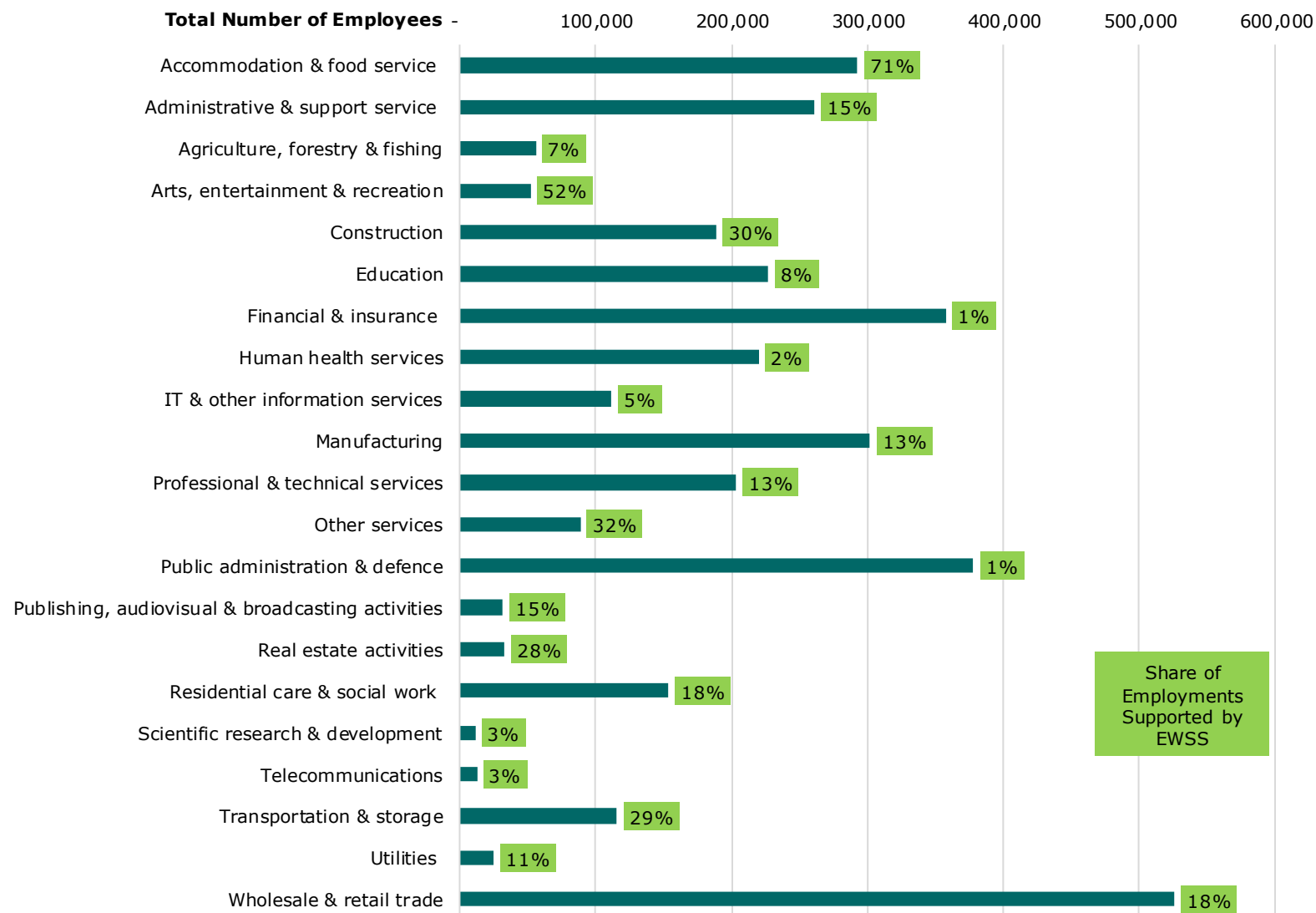
The Employment Wage Subsidy Scheme (“EWSS”) continued as a key Government support to employers and employees in 2021. As shown in Figure 4, significant shares of employees were supported by EWSS and this Scheme was an important enabler for PAYE growth and recovery over the year.

Figure 3: PAYE Gross Pay and Tax 2021



Source: Revenue analysis. Note: % figures reflect the average effective tax rate in each sector, calculated as the aggregate IT and USC paid divided by the gross pay.

Figure 4: Total Number of Employments by Sector, and Share Supported by EWSS in 2021

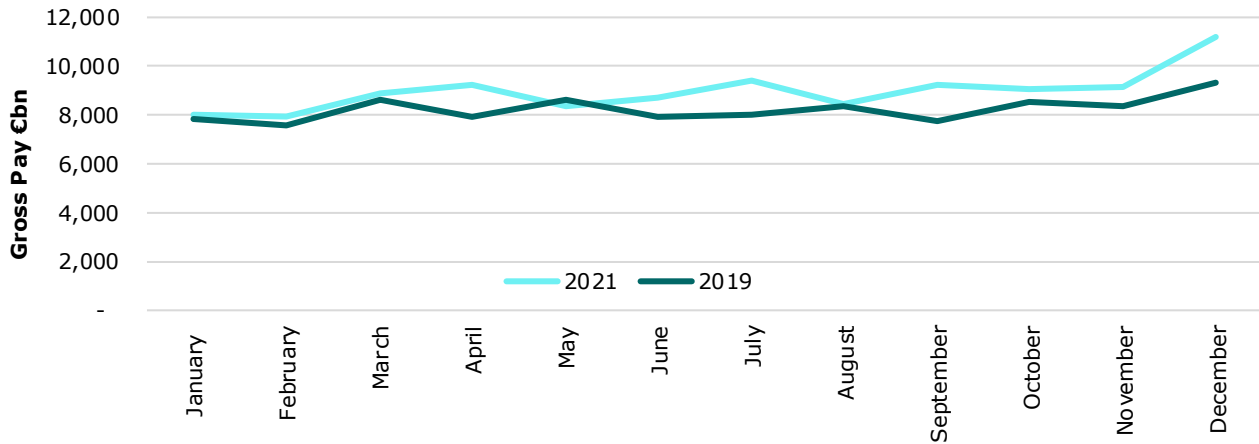


Source: Revenue analysis. Note: % figures reflect the shares of employments in each sector supported through EWSS at any stage during the year.

3 Employees and Employer Size

As can be seen in Figure 5, the gross pay of employees grew significantly in 2021 compared to 2019, particularly in the latter half of the year. In total, employers paid employees €108.6 billion in 2021 compared to €98.9 billion in 2019, a 9.8 per cent increase.

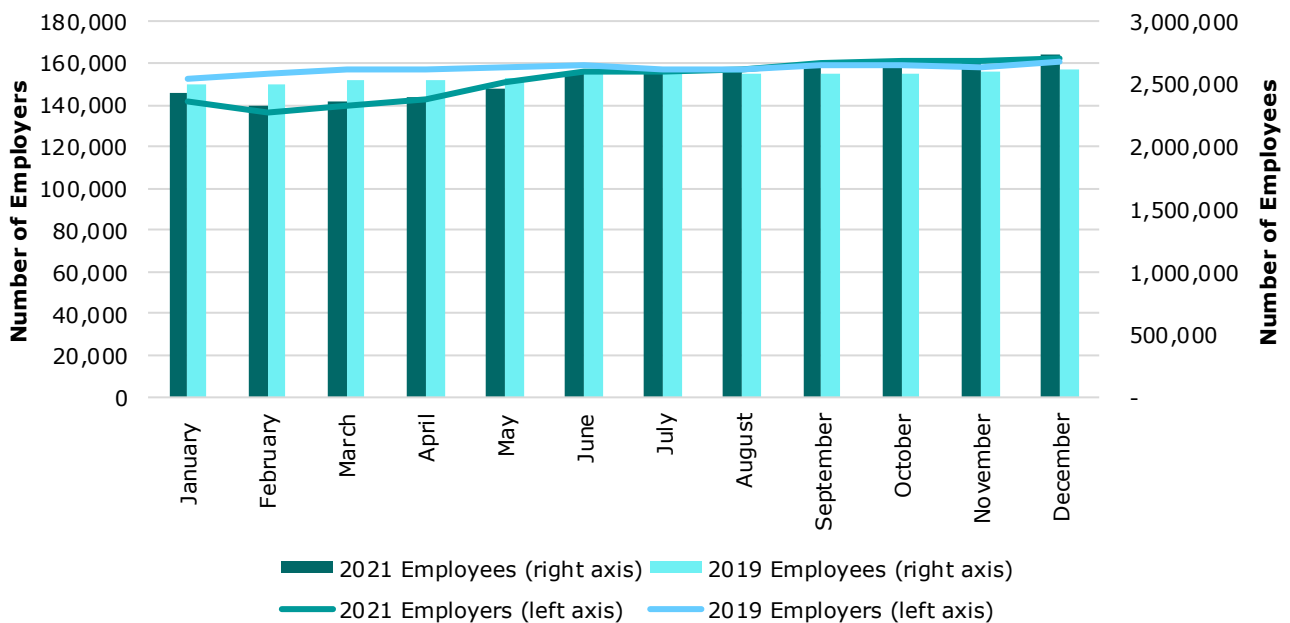
Figure 5: Gross Pay of Employees



Source: Revenue analysis.

As shown in Figure 6, the number of people in active employment in 2021 was lower than 2019 in Quarter 1 and 2 of the year. In the latter half of the year the number in active employment exceeded that of 2019. This trend is seen similarly in employers, with the number catching up to 2019 levels in the latter half of the year. This trend also correlates with the data in Figure 5.

Figure 6: Number of Employees and Employers 2021 and 2019



Source: Revenue analysis.

For each of the years as a whole, the number of employers and number of employments are relatively stable overall.

Tables 1 and 2 provide breakdowns of the number of employers and employments based on the size of the employer.² Two measures of size are used – the Revenue Division of the employer and the number of people employed in the enterprise.

As shown in Table 1, the numbers of employers and employments by employers in Business Division (largely SMEs) was relatively unchanged. Medium Enterprises Division cases saw higher employer growth (8 per cent) than employment growth (2 per cent), while for Large Corporates this trend was reversed with growth 6 per cent and 10 per cent respectively.

As can be seen in Table 2, the number of employments and employers broken down by number employed remained relatively consistent between 2019 and 2021.

Table 1: Number of Employers and Employments by Revenue Division

Revenue Division ³	Number of Employers 2019	Number of Employers 2021	Number of Employments 2019	Number of Employments 2021
Business	150,600	155,500	1,100,400	1,102,300
High Wealth Individuals	140	240	1,800	2,700
Large Corporates	3,200	3,400	826,900	905,700
Medium Enterprises	11,900	12,900	1,764,100	1,794,400
Personal	15,400	10,500	228,600	171,800
Total	181,000	180,100	3,907,900	3,923,100

Source: Revenue analysis.

Table 2: Number of Employers and Employments by Range of Employees

Employee Range	Number of Employers 2019	Number of Employers 2021	Number of Employments 2019	Number of Employments 2021
1-9	139,900	139,000	411,100	407,700
10-49	32,300	32,300	660,500	658,900
50-249	7,200	7,200	716,400	706,600
250+	1,600	1,600	2,119,900	2,149,900
Total	181,000	180,100	3,907,900	3,923,100

Source: Revenue analysis.

Overall, the data show that while there was some variation of employment activity in-year, in annualised aggregate terms there was little in the way of a change of employments or employers that might account for the growth in PAYE receipts in the period. Instead, the next section reviews changes in pay over the period.

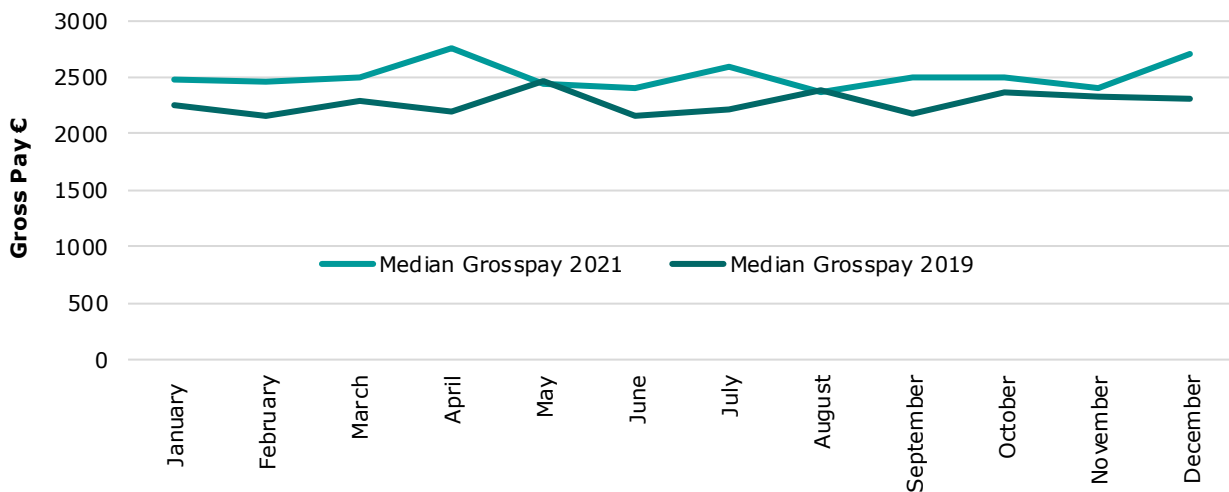
² An employee can have more than one employer, so the level of employments always exceeds the level of employees.

³ Changes from 2019 to 2021 may be accounted for by a re-alignment between Revenue Divisions.

4 Pay and Tax

Figure 7 shows the average (median) income per employment on a monthly basis for all employments. This includes full time, part time, temporary and permanent employments. For nearly all months of the year in 2021, median income was higher than compared to 2019. The average monthly pay per employment in 2021 was €2,470, while it was €2,260 in 2019, a 9.4 per cent increase.

Figure 7: Average Gross Pay per Employment



Source: Revenue analysis.

While Figure 7 shows the variation in monthly average pay of employments between 2019 and 2021, the average monthly pay is impacted by non-economic factors such as the number of paydays in a given month in one year compared to another, which can vary depending on the pay frequency also. Average monthly pay is also impacted by economic factors such as part-time versus full-time work choices. Although payroll data do not contain hours worked per employment (which would identify the part-time versus full-time variation), it's possible to convert all pay to an average weekly equivalent irrespective of pay frequency, which can more accurately address the matter of employments only being held for part of the year (temporary work).

Table 3 tracks the average weekly income of employments in 2019 and 2021 where the same employment was active in both years (for a minimum of 6 months in both years). By comparing the same employments, changes in pay due to compositional changes in the workforce are eliminated as part of the explanation for pay growth. For this analysis several conditions had to be met. First, the table below only represents employments in the private sector (the public sector cohort is addressed below). Second, only those with an average weekly pay of at least €360 in both 2019 and 2021 are included, to roughly confine the analysis to full time

employments, as this is approximately equal to the weekly minimum wage. Finally, the analysis also excludes payroll data relating to occupational pension recipients.

As can be seen below, there was large growth seen across all ranges, with the highest in the €360-€400 and €3,001-€5,000 ranges. In this cohort, overall, the average weekly pay grew by 11 per cent in 2021 compared to 2019 which equated to an increase of just over €100 extra per week on average.

Table 3: Analysis of Pay in Private Sector Continuing Employments, 2019 to 2021

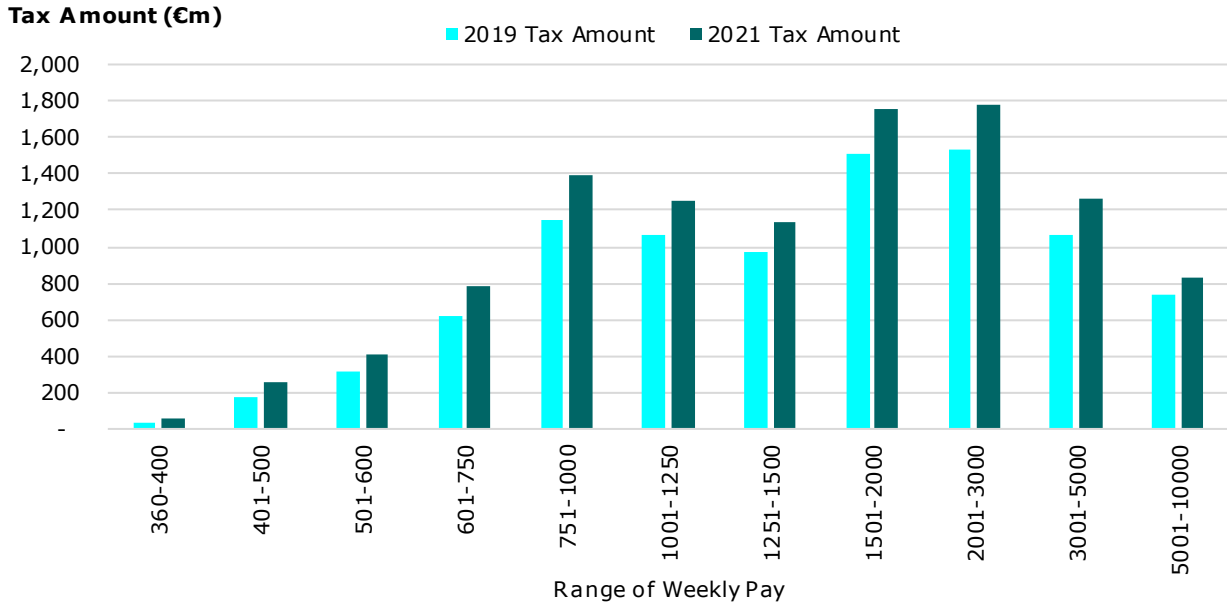
Range of Pay in 2019 (€)	2019 Average Weekly Pay (€)	2021 Average Weekly Pay (€)	% Difference	Number of Employments
360-400	382	456	19%	31,100
401-500	453	515	14%	98,600
501-600	551	608	10%	111,700
601-750	671	728	8%	144,500
751-1000	862	936	9%	152,800
1,001-1,250	1,115	1,219	9%	85,000
1,251-1,500	1,366	1,507	10%	54,400
1,501-2,000	1,715	1,911	11%	58,600
2,001-3,000	2,388	2,688	13%	37,400
3,001-5,000	3,707	4,326	17%	14,700
5,001-10,000	6,493	7,474	15%	4,200
10,000+	12,671	12,773	1%	500
Total	1,001	1,110	11%	793,500

Source: Revenue analysis.

The total IT (including USC) paid by this cohort was €9.2 billion in 2019 and €10.9 billion in 2021, a growth of 18 per cent. This additional €1.7 billion in IT paid by this cohort represents almost 50 per cent of the increase in overall IT receipts from 2019 to 2021 (and more than half the increase in PAYE receipts). In the context of IT being composed of many subcomponents including PAYE, Schedule D, withholding taxes amongst others, it can be seen that the increase in PAYE taxes of this cohort is a strong driver in the overall increase in IT receipts in the period.

Although the amount of employments earning an average pay of under €750 a week in 2019 makes up just under half of the amount of employments in this cohort, these employments only represent 14 per cent (€1.52 billion) of the total IT paid in 2021 by this cohort. On the other hand, although employments earning an average pay of over €3,000 week in 2019 only make up approximately 2 per cent of this cohort, they represent 19 per cent of the total IT paid in 2021 by this cohort (€2.09 billion). As Figure 8 shows, the amount of tax paid by this cohort is highest at the €1,501-€2,000 and €2,001-€3,000 ranges.

Figure 8: Tax Paid by Range of Pay



Source: Revenue analysis.

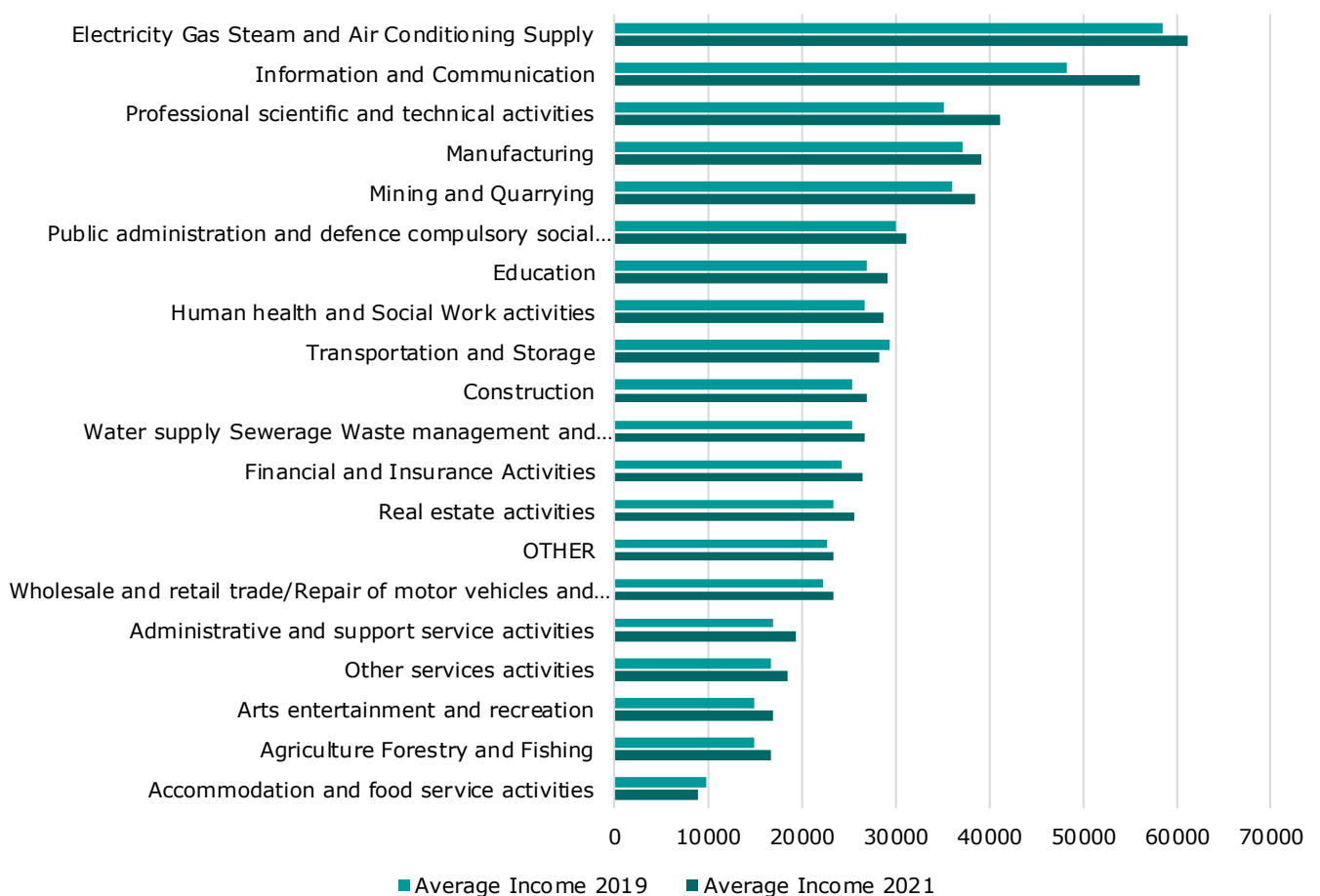
The above analysis examines a particular cohort of employments in the private sector. The IT (including USC) paid from employments in the public sector, excluding pensioners, amounted to €4.5 billion in 2021, an increase of €0.7 billion on 2019. Thus, the combined increase from 2019 to 2021 in Income Tax paid by both the private sector continuing full-time employments and those in public sector employments amounted to €2.4 billion, 63 per cent of the overall increase in IT receipts in that period. Further analysis on incomes and tax paid by those in the public sector is provided in Section 5.

5 Sector Analysis

To further understand the employments giving rise to the increase in IT receipts, this section provides a sectoral analysis (based on the NACE classification of the main activity of the employer). The analysis in this section includes both private and public sector employments and is not confined to the continuing cohort discussed in Section 4 (unless otherwise indicated).

Figure 9 presents average annualised income by sector for 2021 and 2019. Across most sectors growth can be seen from 2019 to 2021. The largest growth in average yearly pay in this period can be seen in the *Information & Communication* and *Professional, Scientific & Technical Activities* sectors, which are both at the higher end of the pay distribution. The highest average pay (rather than the highest growth rate) is in the *Electricity, Gas, Steam & Air Conditioning Supply* sector, which in terms of numbers of employments is small.

Figure 9: Average Annual Income by Sector, 2021 and 2019

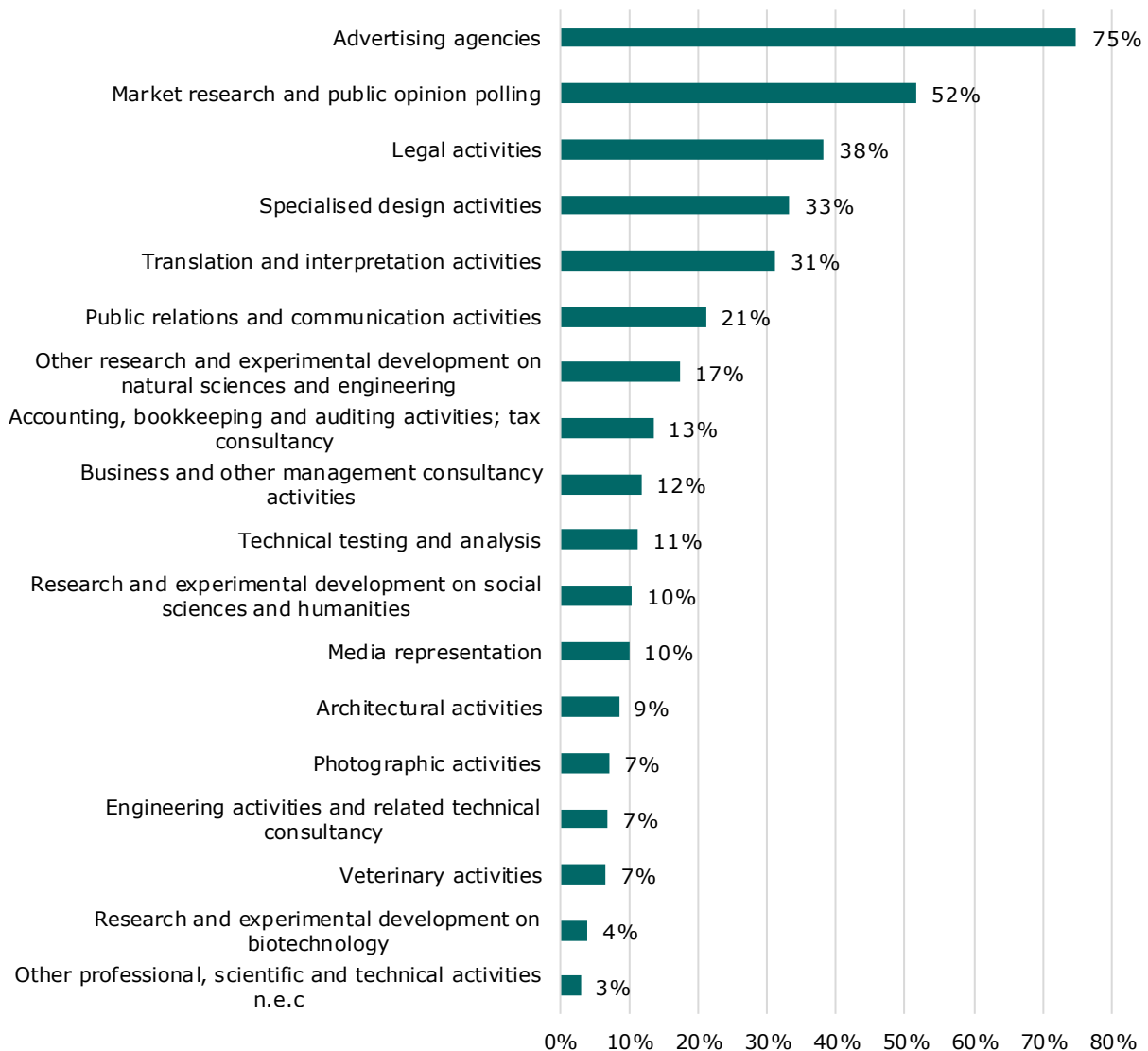


Source: Revenue analysis.

The average growth within the *Professional, Scientific & Technical Activities* sector was 17 per cent. As Figure 10 shows, within the *Professional, Scientific & Technical Activities* sector, 'Advertising Agencies' and 'Market Research & Public Opinion Polling' show the largest growth in

average annual income. Average annual income in the 'Advertising Agencies' sector increased from €29,000 in 2019 to €50,000 in 2021, and the average annual income in the 'Market Research & Public Opinion Polling' increased from €38,000 in 2019 to €58,000 in 2021. However, these two sub-sectors only make up a combined 7 per cent of the employments in this sector in 2021. The sub-sector with the third largest growth, 'Legal Activities', accounts for 9 per cent of employments in 2021.

Figure 10: Professional, Scientific & Technical Activities Income Growth Rates 2019 to 2021

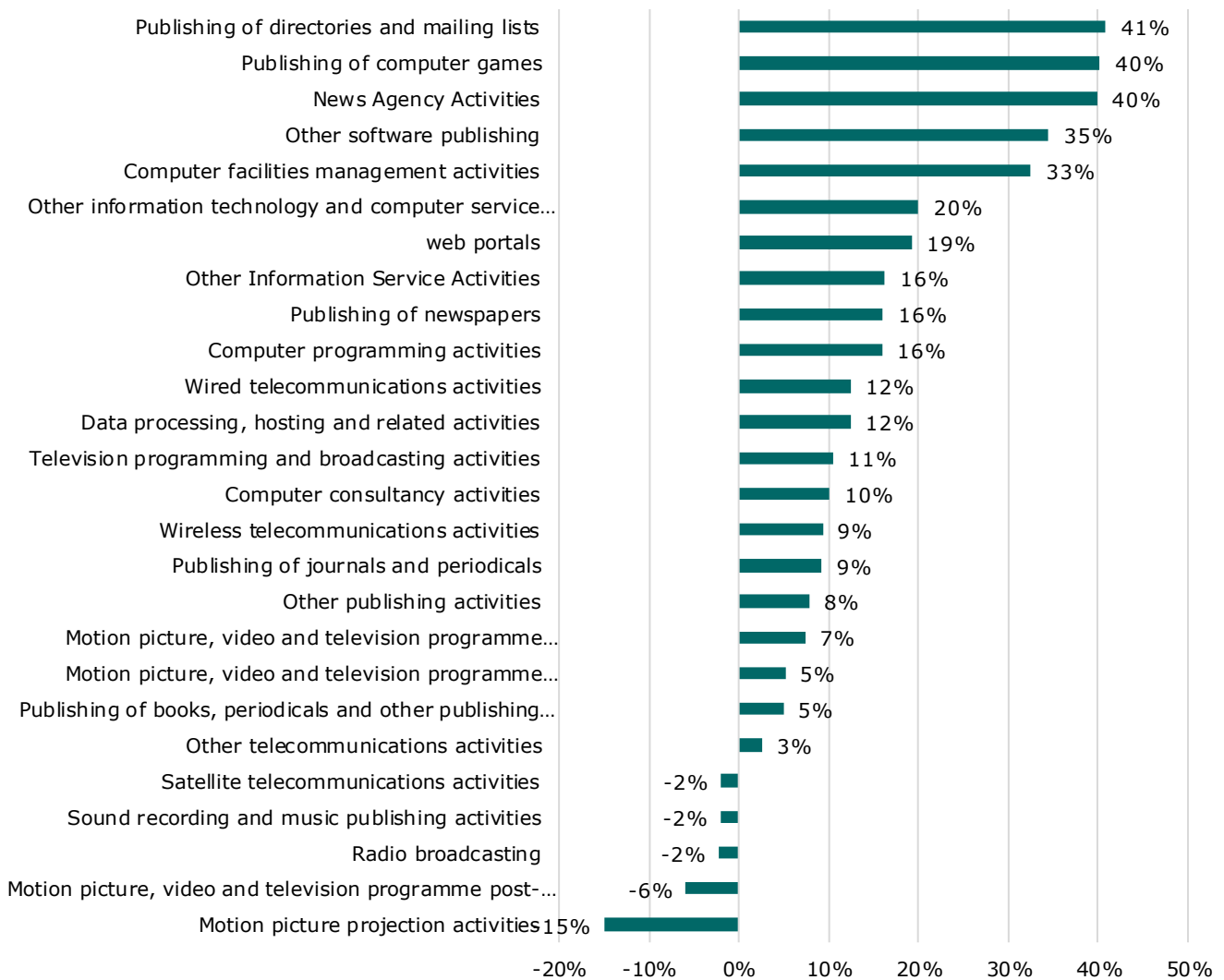


Source: Revenue analysis.

The average growth within the *Information & Communication* sector was 16 per cent between 2019 and 2021. As shown in Figure 11, the specific subsectors showing the highest growth were 'Publishing of Directories & Mailing Lists', 'Publishing of Computer Games', and 'News Agency Activities', however these sub-sectors combined accounted for less than 1 per cent of the total employments in this sector. The subsectors 'Other software publishing' and 'Other information

technology & computer service activities' combined accounted for 27 per cent of employments in this sector.

Figure 11: Information & Communication Income Growth Rate 2019 to 2021

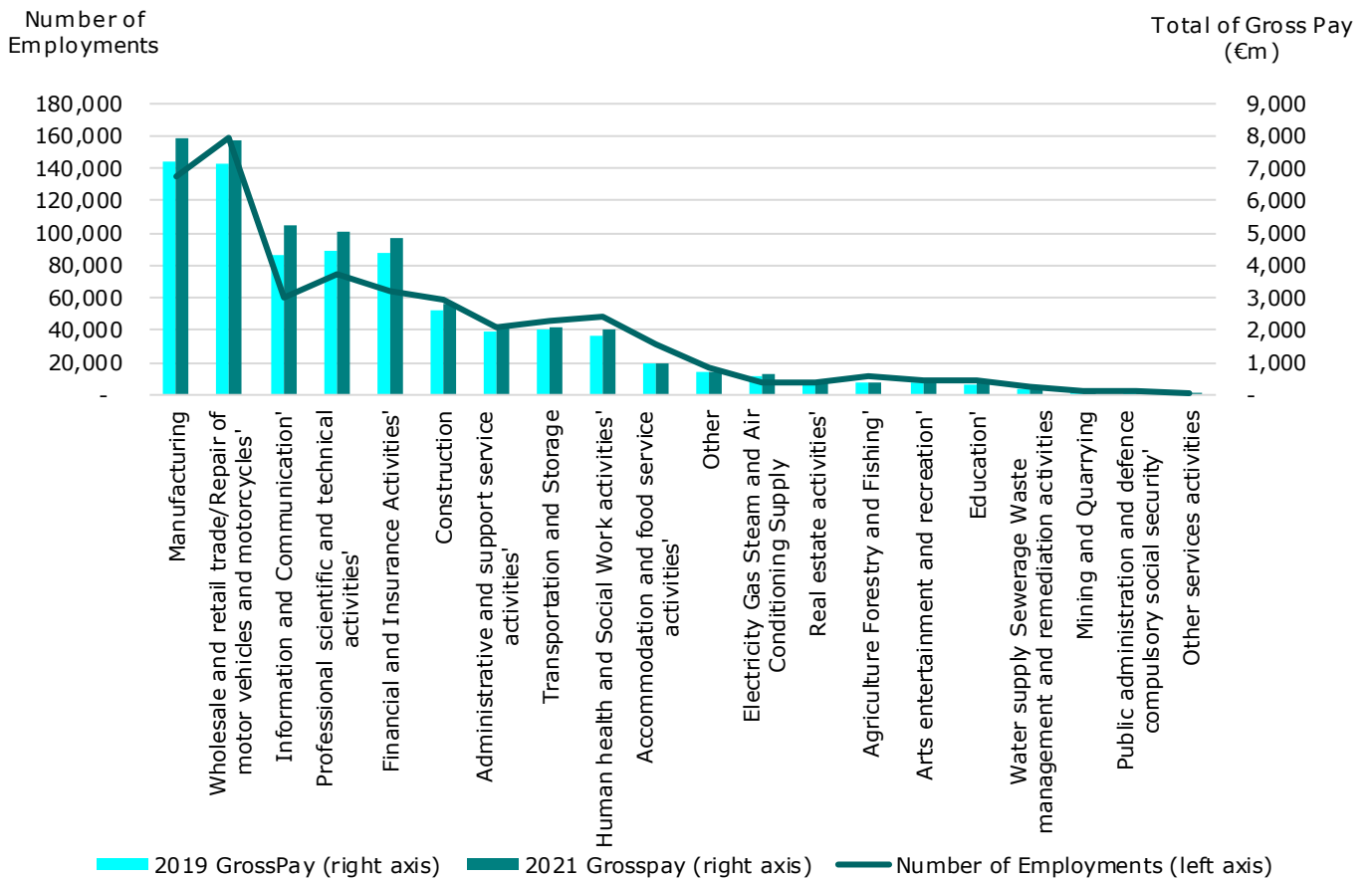


Source: Revenue analysis.

In relation to the 'Private sector continuing full-time employments' cohort addressed in Section 4, most employments in this cohort were in the *Wholesale & Retail Trade, Manufacturing and Professional, Scientific & Technical Activities* sectors, with these three sectors accounting for 47 per cent of all employments of this cohort and 47 per cent of the income of this cohort.

The largest relative increase in income of this cohort from 2019 to 2021 is in the *Information & Communication* sector, which saw an increase of 22 per cent (with the sector representing 8 per cent of employments of the cohort). The *Professional, Scientific & Technical Activities* sector also saw a large increase (14 per cent) in income of this cohort from 2019 to 2021 (the sector represents 9 per cent of all employments of this cohort).

Figure 12: Sector Breakdown of Continuing Private Sector Cohort



Source: Revenue analysis.

Table 4 below sets out a sectoral breakdown of public sector employments in 2021, showing the number of employments in each sector, as well as the total annual income and total annual income tax (including USC) paid from these employments. Also shown is the level of change in each measure from 2019. Total income levels have increased over the period, by 11%. The increase in this total pay arises from a combination of increased employments, up 5% in the period, as well as increased annual pay levels, of about 6% on average. The pay levels shown in Table 4 are total annual incomes from the employment, and so variations in pay levels can arise as a result of changes in hours worked and working patterns etc., as well as salary increases.

Table 4: Sectoral Analysis of Public Sector Employments, 2019 to 2021

Sector	Number of Employments in 2021	Pay in 2021 (€m)	Average Pay in 2021 (€m)	Tax in 2021 (€m)	Number of Employments, 2021 vs 2019	Pay, 2021 vs 2019	Average Pay, 2021 vs 2019	Tax, 2021 vs 2019
General public administration activities	140,300	5,330	37,990	1,065	7%	10%	3%	16%
Regulation of the activities of providing health care, education, cultural services and other social services, excluding social security	69,800	2,300	32,950	475	12%	15%	2%	20%
Other human health activities	57,700	2,610	45,230	535	11%	16%	4%	24%
Primary education	56,500	2,510	44,430	510	9%	10%	1%	16%
Tertiary education	53,200	1,550	29,140	360	0%	7%	7%	13%
Hospital activities	45,600	2,110	46,270	475	11%	17%	5%	25%
General secondary education	31,300	1,350	43,130	280	3%	8%	5%	12%
Technical and vocational secondary education	20,500	700	34,150	135	0%	11%	11%	17%
Dental practice activities	19,800	940	47,480	205	14%	15%	1%	21%
Other social work activities without accommodation n.e.c.	15,800	550	34,810	95	-1%	12%	14%	19%
Defence activities	9,700	430	44,330	75	-5%	8%	13%	16%
Compulsory social security activities	8,000	290	36,250	50	-2%	4%	6%	11%
Other	39,700	1,260	31,740	250	-15%	2%	20%	11%
All	567,900	21,950	38,650	4,510	5%	11%	6%	18%

Source: Revenue analysis.

6 Employment Churn

As Table 5 shows, 60 per cent of employments from 2019 continued into 2021 with the other 40 per cent ceasing. There were 1.5 million new employments in 2021. These new employments effectively cancel out a similar number of ceased jobs, in numerical terms (there is a net increase of approximately 15,000). However, the tax paid by the new employments is higher than those that ceased, and their additional net tax paid is €0.8 billion. This equates to a €500 difference in tax on average per new employment and suggests that the compositional change in employment over the period has been geared toward higher-paying or more full-time work.

Table 5: Employment Churn, 2021 vs 2019

	2021
Total number of unique jobs ('000s)	3,923
Of which: continuing from 2019 ('000s)	2,358
Of which: new ('000s)	1,565
Number of ceased jobs (Jobs not continued from 2019)	1,550
Net additional Jobs ('000s)	15
Proportion of continuing jobs in 2021 (%)	60
Proportion of new jobs in 2021 (%)	40
Proportion of ceased jobs since 2019 (%)	40
Total tax paid by new jobs in 2021 (€ bn)	4.5
Total tax paid by ceased jobs in 2019 (€ bn)	3.7
Net tax effect from job churn (€ bn)	0.8
Average tax per new job (€)	2,900
Average tax per ceased job (€)	2,400
Difference in average tax (€)	500

Source: Revenue analysis.

Of the employments that ceased prior to 2021, the average (mean) pay per employment in 2019 was €13,100, while the median was €5,600. Of the employments in 2021 that were not held in 2019, the mean pay per employment in 2021 was €14,800, while the median was €6,900. These low levels of average pay in both years are indicative of greater employment churn for part-time or temporary employees than for full-time employees.

Section 4 shows the cohort of private sector employees that *remained* in the same employment between 2019 and 2021 generated an additional €1.7 billion in IT receipts in 2021, or €2.4 billion once the public sector component is added. This analysis (Section 6) shows that those who *changed* employment contributed an additional €0.8 billion increase over the period. Together these groups account for approximately €3.2 billion of the €3.4 billion increase in PAYE IT and USC between 2019 and 2021.

7 Conclusion

Revenue has in recent years published a series of research reports and other statistics, particularly in relation to the largest taxheads, including a statistical report on the first year of “PAYE Modernisation” (real-time reporting for PAYE) in 2019 and a detailed breakdown of all IT subheads in 2020.⁴ This supports Revenue’s continued focus on making the best use of the tax record data, encouraging openness and accountability, strengthening public debate and improving the evidence base for policy making.

Much of this recent analysis of IT is made possible by real-time reporting for PAYE, the largest component of IT and USC. The level of information captured through the payslip filings as part of real time reporting of PAYE to Revenue is immense. This data source when analysed shows the drivers by the increase in IT receipts in 2021. This data source is utilised in this analysis to examine the drivers for the increase in IT receipts in 2021. The main finding is that the increase in receipts between 2019 and 2021 is mainly driven by those who remained in the same employment over the period.

⁴ Research reports available at: <https://www.revenue.ie/en/corporate/information-about-revenue/research/research-reports/index.aspx>.

One of the authors, Michael Collins, is a member of the Irish Government Economic & Evaluation Service (“IGEES”). Any opinions expressed in this paper are the views of the authors and do not necessarily reflect the views of IGEES.



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