

People with disabilities are liable for income tax in the same way as everyone else. In practice, if your only income is a social welfare payment, you are unlikely to have to pay any tax. There are some tax-free credits/allowances especially for people with certain disabilities and there are some features of the income tax code which are of particular interest to them.

Income from virtually all sources is taxable, with some exceptions (see below). This includes all long-term social welfare payments e.g. Invalidity Pension, Blind Pension, Carer's Allowance and Carer's Benefit. The first 6 weeks of Disability Benefit is not taxable. After that, it is taxable except for the increase for child dependants, which remains exempt.

Certain types of income are exempt from tax, these include Disability Allowance, Domiciliary Care Allowance, Maternity Benefit, compensation for personal injuries (the income arising from it may also be exempt from tax if very specific conditions are met), statutory redundancy lump sum, certain payments in compensation for loss of employment, Hepatitis C compensation awards, compensation payments to Thalidomide victims (and the income arising from this) and some military pensions. The following are the tax credits and allowances which are particularly relevant to people with disabilities:

Blind Person's Tax Credit

If you or your spouse is blind at any time during the tax year you can claim this credit of €800. If both of you are blind each of you can qualify.

Guide Dog Allowance

Relief of €825 at your highest tax rate is given annually if you or your spouse have a guide dog and you are a registered owner with the Irish Guide Dog Association.

Incapacitated Child Tax Credit

This tax credit of €500 can be claimed by the parents if a child has a permanent disability, either physically or mentally.

Allowance for Employing a Carer for an Incapacitated Person

This tax allowance of up to €30,000 at your highest tax rate is available where a person is employed to care for a person with a disability including a child. One or more family members of the person being cared for can claim the allowance.

Home Carer's Tax Credit

This credit of €770 may be available to married couples (taxed jointly) where one spouse works in the home caring for a dependant child or children (for whom Child Benefit is being paid), a person over 65 or a person who is permanently incapacitated. The carer's income must not exceed €5,080. There is a reduced tax credit where the income is between €5,080 and €6,620.

Dependent Relative Tax Credit

This credit of €60 may be available to a person who maintains a relative who has a disability. No tax credit is given if the income of the relative is above €9,352.

Age Tax Credit

This tax credit of €205 for a single person and €410 for a married couple is for people aged 65 and over.

INCOME TAX

Medical Expenses

A tax refund (at your highest rate) is available for money spent on certain medical expenses incurred in the provision of health care in respect of yourself, your spouse, dependants and certain relatives. This also covers nursing home fees. The first €125 per year for an individual or €250 for a family is excluded.

Revenue Job Assist

A special tax allowance (at your highest rate) is available for people who take up a job after having been unemployed for one year or more. People with a disability who have been receiving Disability Allowance or Blind Pension for 12 months or more are eligible. The allowance is €3,180 (plus €1,270 per child) for the first year of employment, reducing to two-thirds in year two and one-third in year three.

Deeds of Covenant

A deed of covenant is a legal instrument under which a person guarantees to pay an annual sum to a relative for more than six years. It can result in a reduction of income tax liability if the person paying the money pays tax at a higher rate than the person receiving it. It is obviously useful for anyone who would be maintaining the relative anyway. However, money received under a covenant is treated as income in the hands of the recipient and may have implications if that person is receiving a means tested payment, e.g. Disability Allowance or Blind Pension.

For most covenants there is a 5% income limit but there is no limit where a covenant is between:

- A parent and a son/daughter over 18 years with a permanent disability
- A grandparent and his/her grandchild who has a permanent disability, regardless of age
- Where the covenant is by others to people with permanent disabilities, regardless of age

Further Information

For more information on income tax generally contact:

Revenue Commissioners Information

Tel: 1890 60 50 90
Website: www.revenue.ie

Citizens Information Centres (CIC)

For further information on rights and entitlements, contact your local Citizens Information Centre - listed in the Golden Pages