

## 2008/2009 Financial Guideline 07

### Payroll Income Levy 2009

Employers are responsible for deducting the income levy from their employees' salaries. The levy is a separate charge to income tax and there are no deductions or credits due against it. It is collected from **gross income** at the progressive rates. Excess or unused tax credits cannot be used to reduce an individual's liability to the levy. No deductions for pension contributions are allowed from gross income. The Employer must identify "Gross Income" as defined and deduct the levy from this income at the appropriate rates.

The levy must be deducted from **all gross wages / salaries** payable by the school to privately paid employees such as secretaries, caretakers, cleaners, privately paid teachers, supervisors and after school study personnel.

#### Income Thresholds

- ❖ There is a lower threshold of €18,304 p.a. or €352 per week where the income levy will not apply. All individuals are liable to pay the income levy if their gross income exceeds the threshold of €18,304 p.a. Individuals who are over 65 years are liable to pay the income levy if their income exceeds €20,000 p.a. and for an over 65 married couple where their income exceeds €40,000 p.a.

Income Thresholds	Rate of Income Levy
Income up to €100,100 p.a.	1%
Income between €100,101 and €250,120 p.a.	2%
Income in excess of €250,120 p.a.	3%

- ❖ The income levy is calculated on a weekly threshold of 1% for income up to €1,925, 2% from €1,925 to €4,810, and 3% thereafter. An employee who gets a payment in an individual week in excess of the 1% or 2% thresholds will pay the income levy at the higher rate(s) on a week 1 basis.

*The breakdown of the income levy threshold figures are as follows:*

Annual Threshold	Rate of Levy	Weekly	Fortnightly	Bi-monthly	Monthly	4-Weekly	Quarterly
18,304	1%	352	704	763	1,526	1,408	4,576
100,100	1%	1,925	3,850	4,171	8,342	7,700	25,025
250,120	2%	4,810	9,620	10,422	20,844	19,240	62,530
<b>Over 65's</b>							
20,000	1%	385	770	834	1,667	1,539	5,000

- ❖ An individual who has no liability to tax based on their entitlement to tax credits may still have a liability to income levy.
- ❖ Employers should note however that if any social welfare payments, for example, illness benefit, have been paid to an employee, or salary sacrifices have been made by the employee, the amount on which the income levy is calculated will differ. Therefore when recording gross pay, these amounts should be deducted and the total pay thereafter, including superannuation, should be used when calculating the income levy due.

### **Exempt Income**

- ❖ Social Welfare payments are not subject to the income levy.
- ❖ Persons entitled to a full medical card are specifically excluded from the income levy.
- ❖ Redundancy payments will be exempt to the same extent as they are for income tax.
- ❖ These are the main categories of exempt income a full list is available on request.

### **Collector General Return and Payment**

- ❖ Employers have responsibility for operating levy in relation to payments they make to their employees. They will deduct and pay the income levy to the Collector General on behalf of employees.
- ❖ The employer must pay to the Collector General the total amount of the income levy deducted from all employees on form P30-the income levy amount is to be included with the amount for PAYE on form P30.

#### **P30**

- Include Income Levy in PAYE figure
  - Include Parking Levy in PRSI figure  
(Parking Levy information will be issued on a separate guideline)
- ❖ At end of year give details of the income levy on form P35L.

### **Employee Records**

Employers should keep the following records in relation to the income levy for each employee for each year:

- 1) Amount of emoluments liable to income levy
- 2) Amount of income levy deducted from each payment made
- 3) Total amount of income levy deducted

Any payments made in 2009 but which relate to 2008 (or earlier years) will be subject to the income levy. For example, where an individual does overtime in December 2008 and receives the payment for this overtime in January 2009, this payment is subject to the income levy.

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