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2008/2009 Financial Guideline 11

Revised Income Levy –Supplementary Budget April 2009

Introduction
Due to changes in the Income Levy issued in the Supplementary Budget of April 2009 we are now issuing 2008/2009 Financial Guideline 11 to take account of these amendments. As a result 2008/2009 Financial Guideline 07 is now obsolete.

Implementation of the Income Levy
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 of after school study, and any public examination related activity.

Supplementary Budget April 2009 Changes

(Including Income Levy, Health levy & PRSI changes)	Jan-Apr	May-Dec
Income Levy	**€**	**€**
Exemption Threshold (under 65)	18,304	15,028
Middle Rate Threshold	100,100	75,036
Higher Rate Threshold	250,120	174,980
Lower Rate	1%	2%
Middle Rate	2%	4%
Higher Rate	3%	6%

	Jan-Apr	May-Dec
Health levy	**%**	**%**
Lower Rate (Exempt €26,000 per annum/ €500 per week)	2.0%	4.0%
Higher Rate	2.5%	5.0%
Higher Rate Threshold	€100,100	€75,036

	Jan-Apr	May-Dec
PRSI	**€**	**€**
PRSI Ceiling	52,000	75,036

Income Thresholds from 1st May 2009

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

Annual Threshold	Rate of Levy	Weekly	Fortnightly	Bi-monthly	Monthly	4-Weekly	Quarterly
15,028	2%	289	578	626	1,252	1,156	3.757
75,036	4%	1,443	2,886	3,126	6,253	5,772	18,759
174,980	6%	3,365	6,730	7,291	14,582	13,460	43,745
Over 65's							
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 the 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.
  A full list is available on request from the Revenue.

Collector General Return and Payment

- Employers have responsibility for operating the 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.

- At the end of the 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.

Year End adjustments to the Income Levy liabilities

Where an employee is in continuous employment/pension (for a full 52 weeks) with an employer/pension provider throughout the year in question the employer/pension provider should make adjustments to income levy liabilities in the following circumstances:

- Where the income levy has been applied for particular pay period(s) throughout the year but the minimum threshold of €15,028 (pro rata) and €18,304 p.a. (pro rata) has not been exceeded at week 52 then no liability to the income levy arises. In this situation the employer/ pension provider should make an adjustment at week 52 and refund all the income levy deducted.

- Where the employee has not been in continuous employment with an employer/pension provider throughout the year in question Revenue, rather than the employer/pension provider, will deal with any refund of the income levy due.

- Where a rate of income levy has been applied for particular pay period(s) but the employee ultimately is liable at a lower rate(s) at the end of the year they will have overpaid the income levy. In this situation the employer/pension provider should make an adjustment at the end of the year and refund any overpayment of the income levy deducted.

- Where the employee has not been in continuous employment with an employer/ pension provider throughout the year in question Revenue, rather than the employer/pension provider, will deal with any refund of income levy due.

(Note: Adjustment should be made in respect of overpayment of the income levy only. Where an employer/pension provider finds that the income levy has been under deducted at week 52 they are not to deduct more income levy. Revenue will deal with any underpayments arising.)

Computerised Payroll

If not already doing so, schools are strongly advised to purchase a computerised payroll package such as Thesaurus, Collsoft or Sage Quickpay as all the necessary deductions including the PRD are automatically calculated. Information on computerised payroll packages is attached.

Fergus Dunne, Director,
JMB Financial Support Services Unit.
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