

**2007/08**

**Financial Guideline 06**

## **PAYROLL GUIDELINE**

### **Remuneration**

- All remuneration payments made by the school must be Revenue compliant. Payments made to teachers and other personnel for services such as after school study are subject to tax and PRSI.
- Wages and salaries paid to clerical staff, caretakers, cleaners or any other school employees should be approved by the Principal who can confirm that the service has been provided and that the wages / salaries are properly due.
- All payments made to teachers and others who are employed as Examination Aides and as additional examination supervisors are subject to deductions of income tax and PRSI

**The income tax year commences on 1st January and ends on the following 31st December.**

### **1. Keeping payroll records**

Under the law all employers including schools must keep records relating to all employees for whom PAYE/PRSI contributions are paid. The following details (where applicable) must be recorded at or before the time wages are paid:

- The amount of each payment of earnings made to each employee during the year
- The PAYE paid by the employee for each such payment
- The PRSI contribution paid by the employee for each such payment and the total (employer's and employee's) contribution which you must pay over to the Collector-General,
- Start and end dates of employment within any income tax year,
- The contribution class that applies to each employee at the start of each contribution year (or when the employment began),
- The number of weeks of insurable employment for each employee in any income tax year, and
- Where a change of contribution class occurs during the year, the new contribution class or subclass and the number of weeks of insurable employment at each of the different rates.

You must keep these records for a period of **six years** after the end of the income tax year to which they refer and you must, on request, make them available for inspection by authorised officers of the Revenue Commissioners or of the Department of Social and Family Affairs.

The records can be kept either on a manual or computer system. The Revenue authorities are in the process of phasing out the current Tax Deduction cards.

## **2. Employee or Self Employed.**

A worker's employment status, that is whether they are employed or self-employed, is not a matter of choice. Whether someone is employed or self-employed depends upon the terms and conditions of the relevant engagement. In most cases it will be clear whether an individual is employed or self-employed.

A payment should only be made to a person classified as self-employed on foot of a proper invoice. A "proper invoice" is one which shows the person's name and address, tax number and details of the goods/services provided. In general, a teacher or other school employee cannot be treated as self-employed unless contracted by the Board of Management on a formal basis e.g. free enterprise after school study.

**Considerable care should be taken to avoid any inappropriate engagement of school personnel which could lead to a conflict of interest.**

The Revenue criteria used to determine whether or not an individual is an employee are set out in (Appendix A).

## **3. Expenses**

Un-vouched or round sum expenses payments made to employees are taxable and should be treated as pay and taxed accordingly. Expenses may only be paid to staff under the terms outlined in the Guidelines for Financial Management in Voluntary Secondary Schools.

## **4. Grants and Administration allowances.**

The school must deduct PAYE and PRSI when making any payment to staff regardless of the source of the funds.

## **5. Maternity Benefit & Illness/Occupational Injury Benefit**

Maternity Benefit is not subject to PAYE/PRSI

Illness/Occupational Injury Benefit is not subject to PAYE or PRSI for the first six weeks in the tax year but is subject to these deductions thereafter (except for child dependent additions which remain exempt)

## 6. Pay As You Earn (PAYE) – (See Appendix B)

- The Pay As You Earn (PAYE) system is a method of tax deduction under which an employer calculates and deducts any income tax due each time a payment of wages, salary etc. is made to an employee.
- Every employee must have a registration number for income tax and social insurance purposes. This number, now known as the PPS No., always appears on the certificate of tax credits and standard rate cut-off point issued by the Revenue Commissioners.
- The Department of Social and Family Affairs is responsible for allocating Personal Public Service numbers. In order to preserve your employees' entitlement to social welfare benefits, please ensure that you quote the employee's correct PPS No. on all communications with Revenue, particularly on the P35Ls.

## 7. Pay Related Social Insurance (PRSI)

- a. **Employers** are obliged to calculate and deduct any liability to Pay Related Social Insurance (PRSI) and income levies. A PRSI contribution consists of an employer's and, where due, an employee's share of PRSI. The contribution is a percentage of an employee's reckonable earnings. It may be made up of some or all of the following parts:

- Social Insurance
- Health Levy
- National Training Fund Levy

b. **How to decide the Social Insurance contribution class**

The nature of employment mainly determines the PRSI contribution class that applies to the employee. Make sure you apply the correct contribution class to each employee at the time you pay him or her. If, for any reason, you cannot establish the correct class, apply the class that you reasonably believe is correct.

- **PRSI Class A** applies to the majority of employees in the private sector and to employees recruited in the public sector since 6 April 1995.
- As an employer, you pay Pay-Related Social Insurance (PRSI) contributions for **all** employees aged 16 and over.
- An employee's ordinary contributions to **a superannuation fund or PRSA** scheme are exempt from PRSI as long as they are:
  - paid into a scheme which is approved by Revenue,
  - and**
  - deducted at source by the employer.

It is vital that you quote the correct PPS No. for each of your employees on your P35L end-of-year return. Without the correct PPS No. we may not be able to update your employee's social insurance record or process any claim to social welfare benefit.

### c. Part-time employment

From April 1991 all employees (including part-time) who work in ordinary industrial, commercial or service-type employments are insurable at Class A, provided their reckonable earnings in any week (from **all** employments) reach the Class A threshold (€38 weekly for 2005 tax year).

### d. Subsidiary employment regulations

Subsidiary employments are employments that are considered secondary, for insurance purposes, to the principal employment. Since April 1991 the following categories of employees are covered by the subsidiary employment regulations:

- civil and public servants, paying Class B, C, D or H in their fulltime employment, who take up additional employments e.g. **after school study, examination aide.**
- Teachers or other state employees who are employed as **attendants at or in connection with examinations held by the Department of Education and Science.**

**Class J** applies to employment of a subsidiary nature regardless of how much people earn from this type of employment.

**However, teachers paying Class A on their main source of income must also pay Class A on additional employment.**

### e. Paying PRSI contributions during illness

If you pay an employee when they are ill, a PRSI contribution applies to the amount of pay. Some employers pay an employee when they are out of work due to illness as long as he or she hands over to the employer any Disability Benefit payment he or she may receive from the Department of Social and Family Affairs. In these circumstances, you should calculate the rate of PRSI contribution on the amount of sick pay *minus* the amount of Disability Benefit.

If you pay an employee during illness and you allow him or her to keep the Disability Benefit payment, the normal PRSI contribution is paid on the full amount of the sick pay, ignoring the Disability Benefit payment.

If you do not pay an employee who is absent through illness, no PRSI contributions are due.

**(See Appendix C)**

## 8. Holidays

Holiday pay is earned against time worked. All employees, full-time, part-time, temporary or casual earn holiday entitlements from the time work is commenced.

Holiday pay entitlements are calculated using one of the following criteria:

- a) 4 working weeks in a leave year in which the employee works at least 1,365 hours (unless it is a leave year in which he or she changes employment).
- b) 1/3 of a working week per calendar month that the employee works at least 117 hours.
- c) 8% of the hours an employee works in a leave year (but subject to a maximum of 4 working weeks).

**Employers are obliged to keep records of holidays and public holidays for a period of 3 years.**

## 9. National minimum wage

The National Minimum Wage Act 2000 provides that the minimum wage rate for an experienced adult employee from 1 July 2007 is **€8.65** an hour, (was €8.30). An experienced adult employee for the purposes of the National Minimum Wage Act is an employee who has an employment of any kind in any 2 years over the age of 18. (See also “Rates” section below).

Of course the national minimum wage (NMW) does not stop an employer from offering a higher wage.

### Sub-minimum rates from 1 July 2007

The National Minimum Wage Act provides the following sub-minimum rates:

- An employee who is under 18 is entitled to €6.06 per hour (this is 70% of the minimum wage)
- An employee who is in the first year of employment since the age of 18 is entitled to €6.92 per hour (80% of minimum wage)
- An employee who is in the second year of employment since the date of first employment over the age of 18 is entitled to €7.79 per hour (90% of the minimum wage)

This phasing in of the National Minimum Wage also applies to employees who are over 18 and enter employment for the first time.

**(See Appendix D)**

JMB Financial Support Services Unit  
May 2008.

## **APPENDIX A**

### **Criteria used to determine if an individual is an employee**

While all of the following factors may not apply, an individual would normally be an employee if they:

- Are under the control of another person who directs as to how, when and where the work is to be carried out
- Supply labour only
- Receive a fixed hourly/weekly/monthly wage
- Cannot sub-contract the work. If the work can be subcontracted and the subcontractor subsequently makes payments to an individual to carry out the work, the employer/employee relationship may simply be transferred on to the subcontractor/individual.
- Do not supply materials for the job
- Do not provide equipment other than the small tools of the trade. The provision of tools or equipment might not have a significant bearing on coming to a conclusion that employment status may be appropriate having regard to all the circumstances of a particular case.
- Are not exposed to personal financial risk in carrying out the work
- Do not assume any responsibility for investment and management in the business
- Do not have the opportunity to profit from sound management in the scheduling of engagements or in the performance of tasks arising from the engagements
- Work set hours or a given number of hours per week or month
- Work for one person or for one business
- Receive expense payments to cover subsistence and/or travel expenses

## APPENDIX B

### TAXATION

#### Tax exemption limits/marginal relief

People in Ireland who have an income below a set amount are exempt from paying tax. If your income in the tax year 2008 is below the following amounts, then you are exempt from paying tax.

Status	Under 65 years	Over 65 years
Single	€0	€20,000
Married	€0	€40,000

If you have dependent children, the above limits are increased by €575 per child for the first two children and by €830 per child thereafter. In addition for those with an income slightly above the current limit, there is a special tax rate known as "marginal relief".

#### Tax Rates and Tax Bands

The tax rates remain unchanged at 20% and 41%. The standard rate tax band (20%) has been widened.

Personal Circumstances	2007 €	2008 €
Single/Widowed without dependant children	34,000 @ 20% Balance @ 41%	35,400 @ 20% Balance @ 41%
Single/Widowed qualifying for One Parent Family Tax Credit	38,000 @ 20% Balance @ 41%	39,400 @ 20% Balance @ 41%
Married Couple one spouse with Income	43,000 @ 20% Balance @ 41%	44,400 @ 20% Balance @ 41%
Married Couple both spouses with Income	43,000 @ 20% with increase of 25,000 max. Balance @ 41%	44,400 @ 20% with increase of 26,400 max. Balance @ 41%

## APPENDIX C

### PAYE RELATED SOCIAL INSURANCE (PRSI)

#### Earnings bands and subclasses

*Rates of contribution from 1 January 2008*

Subclass	Weekly Paid Band	Fortnightly Paid Band	Monthly Paid band
<b>A0</b>	€38 to €352	€76* to €704	€165* to €1,525
<b>AX</b>	€352.01 to €356	€704.01 to €712	€1,525.01 to €1,543
<b>AL</b>	€356.01 to €500	€712.01 to €1,000	€1,543.01 to €2,167
<b>A1/A2</b>	More than €500	More than €1,000	More than €2,167
<b>A8</b>	Up to €352	Up to €704	Up to €1,525
<b>A9</b>	More than €352	More than €704	More than €1,525
<b>BO</b>	Up to €352	Up to €704	Up to €1,525
<b>BX</b>	€352.01 to €500	€704.01 to €1,000	€1,525.01 to €2,167
<b>B1/B2</b>	More than €500	More than €1,000	More than €2,167
<b>CO</b>	Up to €352	Up to €704	Up to €1,525
<b>CX</b>	€352.01 to €500	€704.01 to €1,000	€1,525.01 to €2,167
<b>C1/C2</b>	More than €500	More than €1,000	More than €2,167
<b>DO</b>	Up to €352	Up to €704	Up to €1,525
<b>DX</b>	€352.01 to €500	€704.01 to €1,000	€1,525.01 to €2,167
<b>D1/D2</b>	More than €500	More than €1,000	More than €2,167
<b>HO</b>	Up to €352	Up to €704	Up to €1,525
<b>HX</b>	€352.01 to €500	€704.01 to €1,000	€1,525.01 to €2,167
<b>H1/H2</b>	More than €500	More than €1,000	More than €2,167
<b>JO</b>	Up to €500	Up to €1,000	Up to €2,167
<b>J1/J2</b>	More than €500	More than €1,000	More than €2,167
<b>M</b>	Up to €500	Up to €1,000	Up to €2,167
<b>K1</b>	More than €500	More than €1,000	More than €2,167
<b>SO</b>	Up to €500	Up to €1,000	Up to €2,167
<b>S1/S2</b>	More than €500	More than €1,000	More than €2,167

**\*This threshold only applies to Class A employees, whose total earnings in each week of the fortnight or month are at least €38.**

Subclasses A8 and A9 are only used for CE participants. Subclasses A4, A5, A6 and A7 are only used for approved employees under the Employer's PRSI Exemption Scheme.

For further information contact: Employment Support Services on (01) 704 3165



## 2008 Contribution Rates

**CLASS A**

**EE = Employee, ER = Employer**

Class A			Annual Pay Ceiling			
Weekly Pay Band	PRSI Subclass	How much of weekly pay	First €50,700		Over €50,700	
			EE	ER	EE	ER
			%	%	%	%
€38 - €352	A0	All	Nil	8.50	Nil	8.50
€352.01 to €356	AX	First €127 Balance	Nil 4.00	8.50 8.50	Nil Nil	8.50 8.50
€356.01 to €500	AL	First €127 Balance	Nil 4.00	10.75 10.75	Nil Nil	10.75 10.75
More than €500	A1	First €127	2.00	10.75	2.00	10.75
		€127.01 to €1,925	6.00	10.75	2.00	10.75
		Balance	6.50	10.75	2.50	10.75
More than €500	*A2	First €127 Balance	Nil 4.00	10.75 10.75	Nil Nil	10.75 10.75
<b>Community Employment participants only</b>						
Weekly Limits	Subclass	How much of weekly pay	All income			
			EE		ER	
			%		%	
Up to €352	A8	All	Nil		0.50	
More than €352	A9	First €127 Balance	Nil 4.00		0.50 0.50	
* Subclass A2 applies to medical card holders and to people getting a Social Welfare Widow's or Widower's Pension, a One-Parent Family Payment or a Deserted Wife's Benefit or Allowance.						
People within Class A			Class A Benefits			
<ul style="list-style-type: none"> <li>• People in industrial, commercial and service-type employment who are employed under a contract of service with reckonable pay of €38 or more per week from <b>all</b> employments.</li> <li>• Civil and Public Servants recruited from 6 April, 1995.</li> </ul>			<ul style="list-style-type: none"> <li>• Jobseekers Benefit, Illness Benefit, Maternity Benefit</li> <li>• Adoptive Benefit, Health and Safety Benefit</li> <li>• Invalidity Pension</li> <li>• Widow's or Widower's (Contributory) Pension</li> <li>• Guardian's Payment (Contributory)</li> <li>• State Pension (Contributory) ,State Pension (Transition)</li> <li>• Bereavement Grant, Treatment Benefit</li> <li>• Occupational Injuries Benefit, Carer's Benefit</li> </ul>			

## CLASS J

EE = Employee, ER = Employer

Class J			Annual pay ceiling			
Weekly pay band	PRSI	How much of weekly pay	First €50,700		Over €50,700	
			EE	ER	EE	ER
			%	%	%	%
Up to €500	J0	All	Nil	0.50	Nil	0.50
More than €500	J1	First €1,925 Balance	2.00	0.50	2.00	0.50
			2.50	0.50	2.50	0.50
More than €500	*J2	All	Nil	0.50	Nil	0.50

\* Subclass J2 applies to medical card holders and to people getting a Social Welfare Widow's or Widower's Pension, a One-Parent Family Payment or a Deserted Wife's Benefit or Allowance.

**People within Class**

Normally people with reckonable pay of less than €38 per week (from **all** employments). However, a small number of employees are insurable at Class J, no matter how much they earn, such as employees over age 66 or people in subsidiary employment. See **SW 14** on the website ([www.welfare.ie](http://www.welfare.ie)) for details.

## APPENDIX D

### *Minimum Wage Rates*

From 1 July 2007 the national minimum wage for experienced adult employees and the sub-minimum rates for young people and certain trainees are as follows:

Employee	Minimum hourly rate of pay	% of minimum wage
Experienced adult worker	€8.65	100%
Aged under 18	€6.06	70%
First year from date of first employment aged over 18	€6.92	80%
Second year from date of first employment aged over 18	€7.79	90%
<b>Employee aged over 18, in structured training during working hours</b>		
1st one third period	€6.49	75%
2nd one third period	€6.92	80%
3rd one third period	€7.79	90%

# Contact Information

## **PAYE Employer helpline**

An employer who does not find an answer to a query in relation to the operation of PAYE in this guide can get further assistance by calling the Employer Information and Customer Service Unit. Telephone: 1890 25 45 65. If calling from outside the Republic of Ireland please phone + 353 67 63400  
E-mail: [employerhelp@revenue.ie](mailto:employerhelp@revenue.ie)

## **PRSI queries**

Queries relating to social insurance aspects of the system should be directed to: Department of Social and Family Affairs, Information Services, Oisín House, 212 – 213 Amiens Street, Dublin 2.  
Telephone: (01) 1 7043000

## **Revenue On-Line Service (ROS)**

You can send your payment electronically using Revenue's On-Line Internet Service. For details phone LoCall 1890 20 11 06 or visit the website [www.revenue.ie](http://www.revenue.ie).

## **P35/P60/P45**

For P45s, contact Revenue's Forms and Leaflets Service at LoCall 1890 30 67 06 if you are an employer in the Dublin area, or your local Inspector of Taxes for other areas.

## **P35/P60**

Please contact the Revenue at:

## **Office of the Revenue Commissioners**

P35 Section  
Government Offices  
Nenagh  
Co. Tipperary  
Telephone: (067) 33533 or LoCall: 1890 25 45 65

## **Minimum Wage**

For further information on the national minimum wage see the Department of Enterprise, Trade and Employment's [detailed guide to the Minimum Wage Act, 2000 \(pdf\)](#) or contact the Employment Rights Information Unit.  
<http://www.employmentrights.ie/> Email: [info@employmentrights.ie](mailto:info@employmentrights.ie)