

# Income Tax (PAYE)

## 1. Budget 2015

It was announced in Budget 2015 that the standard rate tax band will increase by €1,000 from €32,800 to €33,800 for single individuals and from €41,800 to €42,800 for married couples with one income from January 2015. The higher rate of income tax will reduce from 41% to 40%.

## 2. Income that is assessed for tax

Under the PAYE system, income tax is charged on all wages, fees, perks, profits or pensions and most types of interest. Tax is payable on earnings of all kinds that result from employment (including for example, bonuses, overtime, Christmas bonuses etc).

The amount of tax that an employee pays depends on the amount of the income that they earn and on their personal circumstances. There are a range of income tax reliefs available that can reduce the amount of tax that they have to pay.

At the start of the tax year, the Revenue Commissioners will send a Notice of determination of tax credits (P2C ) and standard rate cut-off point to the employer so that the employer can deduct the correct amount of tax. If the employee's circumstances change during the year Revenue will issue a revised certificate.

Tax credits reduce the amount of tax that an employee has to pay. Tax credits are deducted *after* your tax has been calculated.

## 3. New Employees

It is extremely important that an employer notifies Revenue when a new employee commences employment and it is not good practice for an employee to remain on a week 1/month 1 basis for an unnecessary period of time.

- A person taking up employment or resuming employment after a previous cessation should be asked for parts 2 and 3 of form P45.
- Where the new employee has not supplied a Form P45 and has a PPS Number. Notify the employee's Revenue office by [Form P46 -](#) or by phone to request a tax credit certificate. In the meantime the emergency basis of tax deduction must be operated
- The first-time employee will be asked to complete a Form 12A - Application for a Certificate of Tax Credits and Standard Rate Cut-Off Point. The employee will be taxed on a temporary basis called emergency tax until the Notice of Tax Credits is received.

#### 4. Tax rates and the standard rate cut-off point

Tax is charged as a percentage of income. The percentage depends on the amount of income. The first part of income, up to a certain amount, is taxed at 20%. This is known as the *standard rate of tax* and the amount that it applies to is known as the *standard rate tax band*.

The remainder of the income is taxed at the *higher rate of tax*, 40% in 2015.

##### Standard rate cut-off points

|  | 2015   |         |
|--|--|---------|
|  | 20%  | 40%     |
| Single person                              | €33,800  | Balance |
| Married couple/civil partners, one income  | €42,800  | Balance |
| Married couple/civil partners, two incomes | Up to €67,600<br>(increase limited to the amount of the second income - see example below) | Balance |
| One parent family                          | €37,800  | Balance |

#### 5. Tax exemption limits for people aged 65 and over

Exemption limits are income limits below which no tax is payable.

##### Annual exemption limits for people aged 65 and over

| Status                                       | 2014      |
|--|-----------|
| Single or widowed or surviving civil partner | €18,000   |
| Married or in a civil partnership            | €36,000   |
| First two children                           | €575 each |
| Subsequent children                          | €830 each |

If you expect that the income for the year will be less than these limits, the employee should contact Revenue and they will issue a revised determination of tax credits to you.

There is no income tax exemption for low income earners under 65

## 6. Emergency basis

Different rules for emergency tax apply depending on whether or not the employee has provided the employer with their PPS number.

### Where the employee does not provide their PPS number

Where the employee does not provide their PPS Number, the higher rate of tax applies to all earnings.

| Tax credits and standard rate cut-off point for employees that have not provided their PPS number |                             |            |
|---|-----------------------------|------------|
| Week or month   | Standard rate cut-off point | Tax credit |
| All   | Nil                         | Nil        |

### Where the employee provides their PPS number

Where the employee provides their PPS number the provisional tax credits and standard rate cut-off point to be granted are as outlined in the following tables for weekly, monthly,

| Weekly Paid                 |   |                                      |
|-----------------------------|---|--------------------------------------|
| Week of employment          | Weekly standard rate cut-off point                    | Weekly tax credit                    |
| First                       | 1/52nd of single personal standard rate cut-off point | 1/52nd of single personal tax credit |
| Second                      | As for first week                                     | As for first week                    |
| Third                       | As for first week                                     | As for first week                    |
| Fourth                      | As for first week                                     | As for first week                    |
| Weeks 5 to 8 inclusive      | As for first week                                     | Nil                                  |
| Week 9 and subsequent weeks | Nil   | Nil                                  |

fortnightly, four-weekly and twice-monthly paid employees.

**The rates at which tax is to be deducted are the rates of the standard rate of income tax and the higher rate of income tax in force for the relevant year.**