



# Payroll Processing and Procedures

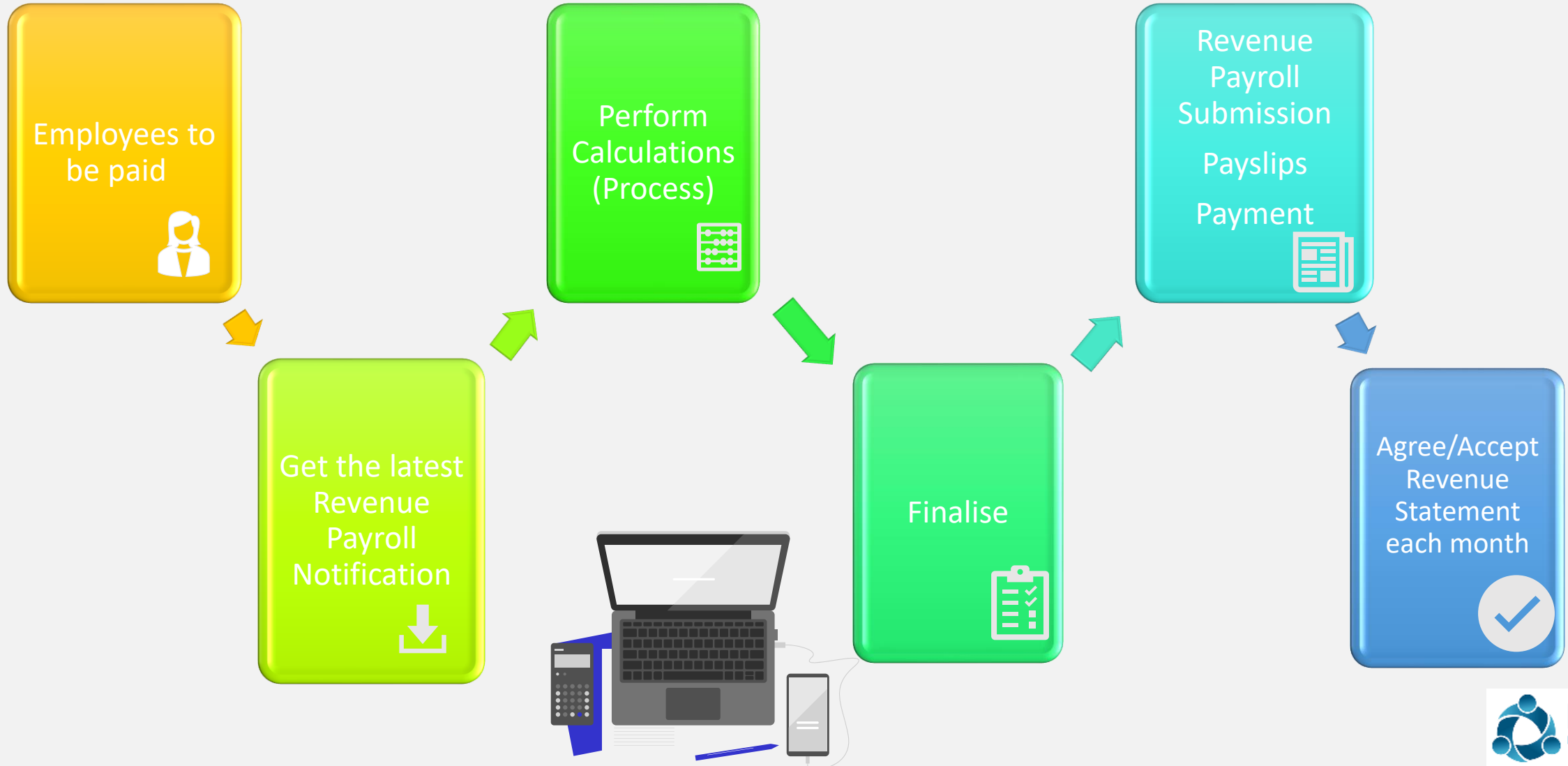
June 2021



# Agenda

- **Overview of the PAYE system.**
- **Payroll taxes and how they are calculated.**
- **Recommended controls for payroll.**

# Payroll Process



# Payroll Process

List of Employees for  
this payroll run

Details of  
overtime/holidays etc  
for each employee

Principal's approval  
for all amendments

Update payroll for latest RPN's  
with Revenue

Run payroll  
calculations

Check payroll for accuracy

# Payroll Process

Print payroll  
reports

Principal  
approval –gross  
to nett report

Issue payslips

Input payroll  
payments

Submit payroll  
to Revenue

Back up payroll

# Statutory Employment Records

Employer registration number with Revenue

Full Name, Address and PPS Number for each employee

Terms of Employment for each employee

Payroll details – i.e. Gross to Net, Rate per hour, Overtime, Deductions, etc.

Copies of Payslips

Employees' Job Classifications

Dates of commencement and, where relevant, termination of employment

Hours of Work for each employee (including starting and finishing times, meal breaks and rest periods)

Register of employees under 18 years of age

Holiday and Public Holiday entitlements received by each employee

Any documentation necessary to demonstrate compliance with employment rights legislation

# PAYE – Pay As You Earn



# Income Tax

- ❖ Income tax is usually calculated on a cumulative basis, i.e. on the year to date income
- ❖ Income tax is calculated as a percentage of income.
- ❖ Income tax is calculated at 20% for a certain amount of your income. This is the standard tax band or Standard Rate Cut Off Point (SRCOP) (e.g. single person is €35,300). The balance is calculated at 40%
- ❖ This tax liability is reduced by a persons tax credits, e.g. single person credit €1650, PAYE tax credit, €1,650



# Example -Income Tax Calculation

- ❖ The annual SRCOP and tax credits are divided by the number of pay periods in a year i.e. a person who is weekly paid will have their tax credits and SRCOP divided by 52

## Example

Mary has an annual SRCOP €35,300, weekly SRCOP €678.84 and annual tax credits €3,300  
weekly tax credit €63.46

## Week one

Pay €360 per week

$€360 @ 20\% = €72$

Less tax credit €63.46 = €8.54 income tax liability for week one.

# Example- Income Tax Calculation

## Example

Mary has an annual SRCOP €35,300, weekly SRCOP €678.84 and annual tax credits €3,300  
weekly tax credit €63.46

Mary is not working the February mid-term and so will not be paid. She is not using her tax credit and cut off for week 8 therefore her tax liability for week 9 will change from previous weeks

## Week 9

Pay year to date  $€360 \times 8 = €2880$  @ 20% = €576 tax

Less tax credits ( $€63.46 \times 9$ ) €571.14 = €4.86 Tax liability for year to date

Mary has paid taxes up to week 8 of €59.78. Therefore she is due a refund of -€54.92

# Income Tax Notes

- A person's RPN can change from a cumulative basis to a week one basis depending on the persons circumstances with Revenue.
- This means that the previous weeks earnings or tax payments are not taken into account in the current week
- This can be for a number of reasons, if the employee wishes to return to a cumulative basis they should contact Revenue directly.



**Note** teachers who are paid full time by the Department of Education would normally not have SRCOP or tax credits available for payments made by the school.

# USC – Universal Social Charge

- ❖ USC, like income tax it is usually calculated on a cumulative basis, i.e. year to date income

USC ThresNext slide holds 2021	Rate	Weekly cut-off
Income up to €12,012	0.5%	up to €231
Next €8,675	2%	Next €166.83
Next €49,357	4.5%	Next €949.17
Balance	8%	Balance

# Example-USC – Universal Social Charge

**Example:**

**Week one**

Mary

Pay €360 per week

$231 @ 0.5\% = €1.16$

$\text{Next } 166.83 @ 2\% \text{ only } 129 = €2.58$

$\text{USC payable} = €3.74 (1.16 + 2.58)$

# Example -USC – Universal Social Charge

**Example:**

**Week 9**

Mary was not paid for week 8

Pay €360 per week for 8 weeks =2880 (not paid one week)

$231 \times 9 = 2079 @ 0.5\% = €10.40$

Next  $166.83 \times 9 (1501.47) @ 2\%$  balance is only 801 = €16.02

USC payable =€26.42 (10.40+16.02)

Paid up to week 8 €26.14.

Therefore USC liability for week 9 is only €0.28

# PRSI – Pay Related Social Insurance

- ❖ Like income tax and USC employees are required to pay PRSI on their income. Unlike other deductions this may entitle you to benefits, e.g. illness benefit, maternity benefit, state pension.
- ❖ Unlike the other taxes, the PRSI rates do not come from Revenue but depend on the nature of employment and the amount being paid. The rate is selected when setting up an employee on the payroll system
- ❖ PRSI is not cumulative but based on the amount being paid in a particular pay period
- ❖ PRSI is payable by both the employee (Employee PRSI) and the Employer (Employers PRSI)



# Rates of PRSI

Most employees will be Class A, and the Subclass is determined by the amount being paid each week

## Class A from 1 February 2020 All income

Weekly income band	PRSI Subclass	How much of weekly income	Employee %	Employer %
€38 - €352	A0	All	Nil	8.80
€352.01 - €395(**)	AX	All	4.00	8.80
€395.01 - €424(**)	AL	All	4.00	11.05
More than €424	A1	All	4.00	11.05



# Example-PRSI Calculation

## Example:

**John**

Pay €350 per week, at class A

Class A0 is applied because it is less than €352.

John does not pay any PRSI and the Employer's PRSI is €30.80

Week 9 John does overtime and is paid €430. The PRSI class applied is now A1.

John pays €17.20 Employee PRSI ( $430 \times 4\%$ ) the schools pays €47.52 Employer's PRSI.

There is no refund of this additional PRSI in the following weeks when John returns to his regular pay.

# PRSI Class J

PRSI Class J applies to

- ❖ Employees over current pensionable age of 66 years
- ❖ **State Examination personnel who are employed and paid by a school.**
- ❖ People in subsidiary employment.
- ❖ Subsidiary employment is not just a second job but must meet defined criteria:
  - ❖ civil and public servants (e.g. **teachers**), paying Class, B, C, **D** or H in their fulltime employment, who take up additional employments, (This applies to those recruited before 6 April 1995)

# PRSI Class J

## Class J All income

Weekly income band	PRSI Subclass	How much of weekly income	Employee %	Employer %
Up to €500	J0	All	Nil	0.50
More than €500	J1	All	Nil	0.50

**Summary:** Class J applies to people 66 or over, those doing state exam work or teachers paying class D with the DE (started teaching before 6<sup>th</sup> April 1995).

# Payroll Controls

Wages or salaries should never be paid in cash

**All payments made by the school must be Revenue compliant**, including after school study, selection committee members and part-time teachers/trainers/guest speakers etc.

Proper timesheets for all employees should be maintained and filed for future reference

# Payroll Controls

Payments should be approved by the Principal, who can confirm that the wages/salaries are properly due. This should include gross payments per payroll reports, not just the net wages payment

All payments records should be retained in the school and maintained by the School Secretary/Bursar

Accurate records for new and ceasing employees, including pay and annual leave terms should be carefully filed.

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