

Local Property Tax – Deduction in Payroll

1. Introduction

Property owners can opt to pay their Local Property Tax (LPT) in phased payments by deduction at source from salary or occupational pension. Employers are required to make this facility available to their employees/pensioners. Where this payment option is chosen, **Revenue notify the employer on the RPN of the amount of LPT to deduct from net salary/occupational pension.** The deductions are spread evenly over the year. Each time an employer pays an employee and deducts LPT, the amount of LPT deducted from each payment must be reported to Revenue when making the payroll submission.

2. Applying the figure of LPT shown on the RPN in payroll LPT can only be deducted in payroll when it is stated on the employee's/pensioner's RPN.

The LPT stated on the RPN is the total amount of LPT that should be deducted from the employee's salary for the period from the date the RPN is first requested to 31 December. Deductions are to be spread evenly over the number of pay days occurring in the period to 31 December.

Example 1

A weekly paid employee opts for LPT deduction at source in 2021. In January 2021, an RPN is made available to his/her employer, advising - Total LPT to be deducted: 520.00. This shows that LPT in the amount of €520 is to be deducted in the period 1 January to 31 December 2021. In this employment 52 weekly pay days occur between 1 January and 31 December. The employer calculates that the employee will pay €10 LPT every weekly pay day. At 31 December 2021, €520 (€10 x 52 pay days) will have been deducted.

Example 2

A weekly paid employee opts for LPT deduction at source in 2021. In January 2021, an RPN is made available to his/her employer, advising - Total LPT to be deducted: 520.00. The employer deducts LPT of €10 per week. On 1 July 2021, a revised RPN is received, showing a reduced LPT amount of €416.

LPT of €260 (€10 per week x 26 weeks) has been deducted to date. The employer will calculate the new weekly LPT deduction as follows:

Amount of LPT to be deducted per RPN in 2019 €416.00

Amount of LPT deducted to date in the employment €260.00

Balance to be deducted in the period 1 July to 31 December €156.00

Number of pay days remaining in the period to 31 December 2019: 26

Amount of weekly LPT to be deducted in the period July to December: €156.00 / 26 = €6.00.

Example 3

A weekly paid employee opts for LPT deduction at source in 2021. In January 2021, an RPN is made available to his employer, advising - Total LPT to be deducted: 520.00. The employer deducts LPT of €10.00 per week.

On 1 October 2021, a revised RPN is received, showing a reduced LPT amount of €350.00. LPT of €390.00 (€10.00 per week x 39 weeks) has been deducted to date.

The employer will calculate the new weekly LPT deduction as follows:

Amount of LPT to be deducted per RPN in 2021 €350.00

Amount of LPT deducted to date in the employment €390.00

Balance to be deducted in the period 1 October to 31 December €0.00 As the amount of LPT stated on the RPN has already been deducted, the employer will cease deducting LPT with immediate effect.

In this example the employee has overpaid his LPT. **Employers are NOT to refund LPT.** Revenue will deal with ALL refunds after 31 December.

3. Notification to stop deducting LPT from an employee's salary

An LPT amount of 0.00 shown on the RPN is the instruction to stop deducting LPT. Until such time as an employer receives a RPN showing 'LPT: 0.00', they are obliged to operate on the amount of LPT stated on the current RPN.

4. LPT applied to holiday pay paid in advance of the usual pay day

The 'increased' pay the employee receives in the week immediately preceding the week / 2 weeks holidays is not extra pay earned in that particular week but rather the pay for the following week / 2 weeks brought forward and paid in that particular week.

In this situation, the amount of LPT due in the following week(s) is brought forward to be paid in that particular week. It should be noted that this does not apply where the employee is being paid holiday pay immediately before leaving the employment.

5. LPT deductions where an individual has two periods of employment with the same employer in the year

This is best illustrated by way of an example:

An RPN in respect of a weekly-paid employee is made available in January 2021, showing LPT of €520 is to be collected in the period to 31 December 2021. The weekly LPT to be collected is €10.00.

The employee ceases employment on 31 March 2021. At date of leaving, the amount of LPT deducted is €120 (€10 pw x 12 pay days).

6. Insufficient net pay in a pay period to pay LPT

When an employee has insufficient net pay in a pay period to pay their LPT, the employer should deduct, as far as possible, the LPT as per the instruction on the RPN and in the next pay period they should recalculate the amounts to be deducted evenly in the remaining pay periods to 31 December.

If it is evident to the employer that the employee will continue to have insufficient net pay to deduct the LPT that is due to be deducted by 31 December, must notify Revenue through MyEnquiries that the employee has insufficient income to satisfy the employee's full LPT liability for the year, based on the expected income for the employee.

7. LPT deduction where the employee is absent from work on sick leave or maternity leave throughout the year

How LPT will be deducted will depend on the particular circumstances or arrangements between employers and employees while employees are absent from work on sick leave or on maternity leave – whether the employee is paid or unpaid while absent.

Employers who pay full or partial salary to employees while absent from work on sick leave or on maternity leave. As the employee is receiving either full or partial salary, the employer should deduct LPT as normal. Employers who do not pay salary to employees while absent from work sick leave or on maternity leave.

During the period of absence, as the employee is not being paid, no LPT can be deducted. When the employee returns to work the employer should request an RPN on or before making a payment to the employee. The RPN will instruct the employer in respect of how much LPT is to be deducted for the remainder of the year.

8. LPT deduction where an employee is off pay and is due a refund of PAYE and/or USC in cumulative payroll

Where an employee is off pay and is due a refund of PAYE and/or USC in cumulative payroll, **LPT is to be deducted from the overpaid PAYE/USC before any refund is issued.**

9. LPT deduction in week 53, fortnight 27, etc.

Where an extra pay period occurs in the year, for example, 53 weekly pay periods, the employer can choose to deduct the total LPT due over 53 weeks or to deduct the total amount due over 52 weeks, leaving the 53rd week free of LPT deduction.

10. Priority of LPT deduction in payroll

The priority of LPT deduction in payroll is as follows:

- LPT is deducted after allowable pension contributions, PAYE, USC and PRSI
- LPT takes precedence over all non-statutory deductions

Where a Court Order is already made at the time of issuing the RPN (advising LPT deduction) the Court Order will take precedence over the LPT deduction. If the Court Order is made after the RPN (advising LPT deduction) has been made available, the LPT deduction will take precedence.

11. LPT deductions where employee leaves mid pay period

Where, for example, a four-weekly paid employee leaves employment having worked only one week in their last pay period, the full four-weekly amount of LPT should be deducted.

The same principle applies to fortnightly-paid employees - the full fortnightly amount should be deducted.

12. Arrears of pay paid to an ex-employee and LPT

LPT should not be deducted from any payment paid to an employee who has ceased employment. Once the individual has ceased employment the employer ceases deduction of LPT.