# PAYE/PRSI for Small Employers


A Revenue Guide

Revenue

# Contents

# Introduction

## Introduction

This simplified guide shows how the PAYE/PRSI system is operated. It is designed to cater for employers new to the operation of PAYE/PRSI or those who have a small number of employees with straightforward pay arrangements.

From 6 April 2001 the procedure for calculating tax on an employee's salary changed. Tax Tables and Table Allowances are no longer a feature of the PAYE system. The new ***"tax credit system"*** replaces the old ***"tax-free allowance"*** based system. Under a tax credit system, tax is calculated at the appropriate tax rates on gross pay and the gross tax is reduced by the tax credits due to arrive at the net tax payable. The new procedures are dealt with in detail in the following chapters.

A short tax "year" arises from 6 April 2001, which will end on 31 December 2001 in preparation for the change to a calendar tax year. The change to a full calendar tax year commences on 1 January 2002. Details of the implications of the change to a calendar year are examined in detail in this booklet.

This booklet aims to explain and expand on the different changes that will take place up to 1 January 2002. If however, you require additional information or assistance you should contact the tax office shown on your "Notice of Registration as an Employer" or telephone the Central Telephone Information Office at (01) 8780000. A list of the tax offices is given in Appendix 1 to this booklet.

## Internet Site

Revenue's Internet site is at **www.revenue.ie**

# The EURO and Tax

On 1 January 1999 Economic and Monetary Union (EMU) commenced and the euro became the currency of participating Member States. The conversion rate between the IR£ and the euro has been set at 1 euro = IR£0.787564. Euro notes and coins will be introduced on 1 January 2002 and national notes and coins will be withdrawn within the following six weeks.

During the transitional period - 1 January 1999 to 31 December 2001- you have the option of conducting your Revenue affairs in Irish pounds or euro. If you haven t elected to switch your affairs up to now there may still be time to elect for the remainder of the transitional period. If you wish to switch to euro, you must do so by completing a euro election form declaring that you wish to conduct your affairs in euro. If you do not complete the election form Revenue will continue to deal with you in Irish pounds.

At the end of the transitional period, i.e. for the calendar tax year commencing 1 January 2002 onwards, Revenue will automatically switch all your tax affairs to euro.

## How do I switch my Revenue affairs to euro in the transitional period?

Employers who wish to have their tax affairs dealt with in euro in the transitional period, should contact the Euro Changeover Unit at Lo Call 1890 200 256, or your local tax office.

Election for PAYE/PRSI services in euro between now and 31/12/2001 take effect from the start of a tax month i.e. the 6th day of the month, at present. Applications must be made at least 2 weeks prior to the commencing date.

Further information is available in the booklet Revenue and the Euro - A Business Guide 'which is available from any tax office or from *Revenue Forms & Leaflets Service* at (01) 8780100 and on the Internet at **www.revenue.ie.**

# The PAYE & PRSI System

The term PAYE stands for **Pay As You Earn**.
The PAYE system is:

- A method of tax deduction, under which the employer calculates any tax due and deducts it each time a payment of wages is being made **(PAYE).**
- a method of collecting pay-related social insurance contributions **(PRSI)**.

Employers are obliged to operate PAYE where they pay more than £6 a week to a full-time employee, or £1 a week where the employee has another employment.

**The Tax Year:**

**For all years up to the 5 April 2001, the "Tax Year" was from the 6 April in one year to the following 5 April. The tax year will, from 1 January 2002, be aligned with the calendar year. This means that the tax year will start on 1 January and finish on 31 December each year. Because of this change, the transitional period ie the "year" commencing 6 April 2001, will end on 31 December 2001. This is to allow the first full calendar tax year to commence on 1 January 2002.**

**This short transitional tax year is a once off consequence of the changeover to a calendar tax year.**

## PAYE

The PAYE system from **6 April 2001** operates on the basis that an employer deducts tax at the appropriate tax rates on **gross pay** to give gross tax. The gross tax is then reduced by the **tax credits** due, to arrive at the net tax payable. Details of the tax credits, standard rate cut-off point and tax rates(s) for each employee, are sent to the employer by the tax office.

**Tax Rates:**

The rates of Income Tax are outlined each year in the Budget and each employer will be sent a notice by the tax office before the start of the new tax year, outlining the tax rates for the coming year. For the short tax "year" commencing on 6 April 2001, the standard rate of tax is **20%** and the higher rate is **42%.**

**Certificate of Tax Credits and Standard Rate Cut-Off Point:**

This will replace the existing Notice of Determination of Tax Free Allowances. This is computed individually for each employee by the tax office and the employer will be issued with a certificate of Tax Credits and Standard Rate Cut-Off Point (or Tax Deduction Card, Tape/ Diskette as appropriate) showing the tax credits for each employee, their standard rate cut-off point and tax rates(s) to use in the calculation of tax for each pay day. If an employer does not receive a certificate, or a form P45 (see page 15) for an employee, they should operate the emergency procedure and advise the employee to contact the tax office to arrange for the issue of a certificate.

The PAYE system is designed so that, as far as is possible, the correct amount of tax is deducted from an employee's pay, to meet his/her tax liability for the year.

To ensure that this is achieved, PAYE is normally computed on a **Cumulative Basis.** This means that when an employer computes the tax of an employee, he/she actually calculates the total tax due from the beginning of the tax year, to the date on which a payment is being made. The tax deducted in the particular week is the cumulative tax due to that date from the beginning of the tax year, reduced by the amount previously deducted [see examples on Page 16 and on Page 24]. It also ensures that refunds can be made to an employee, where a revised Certificate of Tax Credits and Standard Rate Cut-Off Point is received, increasing the employee's tax credits and standard rate cut-off point.

In certain situations it is not appropriate to operate PAYE on a cumulative basis and in these circumstances, a Certificate of Tax Credits and Standard Rate Cut-Off Point is issued by the tax office, on what is called a **Week 1 Basis.** If the Week 1/Month 1 basis applies, neither the pay, tax credits, nor the standard rate cut-off point are accumulated for tax purposes. The pay for each income tax week or month is dealt with separately. The tax credits and standard rate cut-off point for week 1 (or month 1) are used in the calculation of tax due, each week (or each month). No refunds may be made in such cases. Although pay is not accumulated for tax purposes, gross pay to date must be taken into account for the purpose of the ceiling for PRSI contributions.

## PRSI

In addition to the deduction of PAYE you are also obliged to deduct PRSI on behalf of the Department of Social, Community and Family Affairs. You, as an employer, will also have a liability to PRSI.

The PRSI contribution is made up of a number of different components including:

- Social Insurance Contribution which varies according to the earnings of the employee and the benefits for which the person is insured
- Health Contribution

Details on the calculation of the employee and employer PRSI liability are covered later in this guide.

# Tax Credit System

The tax credit system replaces the tax-free allowance based system. Under the tax credit system, tax is calculated at the appropriate rates on gross pay (less superannuation and contributions to a Revenue **approved** permanent health benefit scheme) to arrive at gross tax in respect of each pay period (e.g. weekly/ monthly). Gross tax is reduced by the tax credits due, to arrive at the net tax payable.

**Gross Tax minus Tax Credits = Tax Payable**

The appropriate rates of tax for the tax year commencing on 6 April 2001 are:

- 20% on gross pay up to the standard rate cut-off point for each pay period
- 42% on gross pay (if any) over the standard rate cut-off point for each pay period

**Note: Approved Permanent Health Benefit Schemes**

From 6 April 2001 the method of giving income tax relief on contributions to Revenue **approved** permanent health benefit schemes (sometimes referred to as "salary protection" or "income continuance" plans) changed.

Where employers deduct the premium from salary, relief will be given at source, by reducing the gross pay for tax and PRSI purposes, in the same way as gross pay is reduced for superannuation contributions.

**Procedures for calculating Tax due under the new Tax Credit system**

The tax office will, in respect of each employee, notify the employer of the:

- Tax Credits
- Standard Rate Cut-Off Point, and
- Rates of Tax

to be used in the calculation of weekly/monthly tax.

For the short tax "year", the allocation is determined by dividing the total annual amounts by 38 for weekly paid employees and by 9 for monthly paid employees. For a full calendar tax year (i.e. from 1 January 2002 onwards) the normal 52 weeks /12 months position will apply.

This information will be provided on a **'Certificate of Tax Credits and Standard Rate Cut-Off Point'** (or tax deduction card, tape/diskette, as appropriate).

**This allocation of weekly /monthly tax credits and standard rate cut-off point, is made by the tax office.**

The following example illustrates the practical application of the tax credit system.

A married couple (one spouse earning) have gross earnings of £35,000 in the period 6 April 2001 to 31 December 2001 and home loan interest payable of £1,480.

The tax office issues a Certificate of Tax Credits and Standard Rate Cut-Off Point (or tax deduction card, tape/diskette, as appropriate) to the employer showing:

| | |
|---|---|
| Standard rate cut-off point £21,460 = £564.74 p.w. | i.e. based on standard rate band, £21,460 for the short tax "year" |
| Standard rate of tax, 20%. Higher rate of tax, 42% | i.e. based on standard rate of 20% and a higher rate of 42% |
| Tax credits, £2,220 = £58.43 p.w. | i.e. tax credit entitlements for the short tax "year" |

The calculation of tax **for each pay period** is made by applying the information supplied in the certificate against the gross pay (less superannuation and contributions to a Revenue approved permanent health benefit scheme) as follows:

- Gross pay is taxed at the appropriate tax rate (s) to give gross tax
- The standard rate of tax (20%) is applied to gross pay up to the **standard rate cut-off point** for that week or month. Any balance of pay over that amount in that pay period is taxed at the higher rate (42%).
- The gross tax is reduced by the **tax credit** as advised by the tax office to arrive at the net tax payable.
- See practical example below

The tax calculation for the first week would be as follows:

| | | | |
|---|---|---|---|
| Gross Pay | £921.05 | | i.e. Gross pay £35,000 /38 |
| Tax on £564.74 @ 20% | | £112.94 | i.e. standard rate up to a maximum of the standard rate cut-off point as advised by the tax office |
| Tax on £356.31 @ 42% | | £149.65 | i.e. higher rate on pay in excess of the standard rate cut-off point |
| Gross Tax | | £262.59 | i.e. sum of tax due at standard and higher rates |
| Less Tax Credit | | (£58.43) | i.e. tax credit advised by the tax office |
| Tax payable this week | | £204.16 | i.e. gross tax less tax credit |

## Cumulative System

The new system will operate on a cumulative basis for both tax credits and standard rate cut-off point. This means that tax credits and/or standard rate cut-off point which are not used in a pay period carry forward and are available for use in the calculation of tax due in the following pay period within the tax year.

## Tax Credits

Under the tax credit system an employee is entitled to tax credits depending on personal circumstances e.g. married person’s credit, employee (PAYE) tax credit etc. The amount of the employee’s tax credits is adjusted to take account of any non-PAYE income i.e. benefits-in-kind and tax reliefs due at the higher rate of tax i.e. expenses of employment.

**Note: Tax Credits are non-refundable.** They are used to reduce tax calculated on gross pay. Any unused tax credits are carried forward on a cumulative basis to subsequent pay period(s) within the tax year.

**Example:**
Where the gross tax on gross pay in a pay period is, say, £100 and the tax credit is £120, the difference of £20 is not refunded. The employee simply has no tax liability for that pay period. **The unused tax credit of £20 is carried forward for offset against tax due in the subsequent pay period(s).**

As mentioned, tax credits are non-refundable. Tax refunds will, of course, arise where cumulative tax for the last pay period exceeds cumulative tax for the current pay period.

**Example:**
Where the cumulative tax at, say, Week 20 is £1,400 and the cumulative tax at week 21 is £1,200 the difference, £200 is refunded.

## Standard Rate Cut-Off Point

A standard rate cut-off point is the amount of the personal standard rate tax band as adjusted for any non-PAYE income and tax reliefs due at the higher rate of tax.

In each pay period an employee pays tax at the standard rate of tax (20%) up to the standard rate cut-off point. Any pay in a pay period over the cut-off point is taxed at the higher rate of tax (42%).

Where an employee’s standard rate cut-off point exceeds gross pay in a pay period, the unused amount is carried forward on a cumulative basis for use in the next pay period within the tax year.

**Example**
Where the gross pay in a pay period is, say, £450 and the standard rate cut-off point is £500 the employee pays tax at the standard rate of tax (20%) on the £450. The unused amount of £50 (e.g. £500 less £450) carries forward on a cumulative basis to the next pay period.

## Non-PAYE Income and Non-Standard Rated Reliefs

Some employees have deductions which qualify for relief at the higher rate of tax. Some have tax collected on non PAYE income (on which tax may be due at the higher rate of tax) through the PAYE system. To ensure that full entitlement is given for such deductions and the correct tax is collected in respect of such non-PAYE income, the tax office can make the necessary adjustments to the Notification of Tax Credits and Standard Rate Cut Off point issued to the employee. The full calculation is given to the employee as per the sample Notice on page 7. The employer is issued with the bottom line figures only i.e. the annual, monthly and weekly tax credits and standard rate cut-off point The employer simply operates the system using the tax credits and standard rate cut off point as advised to him/her by the tax office.

## Practical Example

The employee's *Notice of Determination of Tax Credits* and *Standard Rate Cut-Off Point* below illustrates how adjustments are made in determining the amount of the tax credits and the standard rate cut-off point. The example relates to a married couple (both spouses with income) with home loan interest payable £2,148, expenses of employment £150 and benefit-in-kind £2,000. In this example the couple have agreed to allocate their tax credits and standard rate cut-off point equally between them.

### Reliefs due at the Higher Rate of Tax

Where an employee has deductions from income which qualify for tax relief at the higher rate of income tax, the tax credits will be increased by the amount of the relief at the standard rate of income tax and the standard rate tax band will also be increased by the amount of the relief.

Increasing the tax credits ensures relief is obtained at the standard rate of tax. Increasing the standard rate band ensures relief is obtained at the difference between the standard rate and the higher rate of tax.

**The combined effect ensures relief is obtained in full at the higher rate of tax.**

### Non-PAYE Income

Where an employee has non-PAYE income e.g. benefit-in-kind (the tax on which is collected through the PAYE system), the amount of the tax credits is reduced by the amount of the non-PAYE income at the standard rate of tax and the standard rate tax band is reduced by the amount of that income.

Reducing the tax credits ensures the non-PAYE income is taxed at the standard rate. Reducing the standard rate band ensures the income is taxed at the difference between the standard rate and the higher rate of tax.

**The combined effect is to collect tax due on the non-PAYE income at the higher rate of tax.**

**INCOME TAX - PAY AS YOU EARN**

NOTICE OF DETERMINATION OF TAX CREDITS AND STANDARD RATE CUT-OFF POINT

FOR THE PERIOD 6 APRIL 2001 TO 31 DECEMBER 2001
AND FOLLOWING YEARS

P. KELLY
THE GLEN
CO. GALWAY

When calling or writing to the Tax Office – always quote

| Unit No. | Employer Number | PPS Number |
|---|---|---|
| 000 | 2233322P | 1234567A |

When calling or writing to the Department of Social, Community and Family Affairs always quote your PPS Number

**TAX CREDITS**

| | | | |
|---|---|---|---|
| MARRIED TAX CREDIT | | | 1628 |
| PAYE TAX CREDIT | | | 592 |
| HOME LOAN INTEREST PAYABLE 2148 = TAX CREDIT OF | | | 430 |
| | AMOUNT | @ 20% | |
| INCREASED BY EXPENSES | 150 | 30 | 30 |
| REDUCED BY BENEFIT-IN-KIND | 2000 | 400 | -400 |

**STANDARD RATE CUT-OFF POINT**

| | | |
|---|---|---|
| STANDARD RATE BAND | | 28600 |
| | AMOUNT | |
| INCREASED BY | 150 | 150 |
| REDUCED BY | 2000 | 2000 |

| | | | |
|---|---|---|---|
| Net Tax Credits | 2280 | Standard Rate Cut-Off Point | 27750 |
| Allocated to other employments | 1140 | Allocated to other employments | 13875 |
| Tax Credit this employment IR£ | 1140 | Cut-Off Point this employment IR£ | 13875 |
| Monthly Tax Credit IR£ | 126.67 | Monthly Cut-Off Point IR£ | 1541.67 |
| Weekly Tax Credit IR£ | 30.00 | Weekly Cut-Off Point IR£ | 365.14 |
| Total equivalent to € | 1448 | Total equivalent to € | 17618 |
| Monthly equivalent to € | 160.89 | Monthly equivalent to € | 1957.56 |
| Weekly equivalent to € | 38.11 | Weekly equivalent to € | 463.64 |
| Standard Rate of Tax | 20% | Higher Rate of Tax | 42% |

The Tax Credits and Standard Rate Cut-Off Point have been advised to your employer: A. CLARKE & CO.

Issued By

INSPECTOR OF TAXES
HIBERNIAN HOUSE
EYRE SQUARE
GALWAY

Please see important notes overleaf.

Date of Issue: 6 APRIL 2001

P2

# Different pay frequencies.

## How does a Tax Credit System operate for different pay frequencies?

**Fortnightly pay:** For the purpose of these procedures, fortnightly pay should be regarded as paid on the same weekday throughout the year. For example, where normal pay-day is on every second Friday but one pay-day is changed to the previous Thursday, the following day (Friday) should still be regarded as the pay-day for the purpose of determining the income tax week.

## Fortnightly Pay: Tax Credits and Standard Rate Cut-Off to be used in the calculation of tax due:

If **cumulative basis** applies:

| Income tax week in which payment is made | Cumulative tax credits and Standard Rate Cut-Off Point at Week No. | Income tax week in which payment is made | Cumulative tax credits and Standard Rate Cut-Off Point at Week No. |
|---|---|---|---|
| 1 or 2 | 2 | 21 or 22 | 22 |
| 3 or 4 | 4 | 23 or 24 | 24 |
| 5 or 6 | 6 | 25 or 26 | 26 |
| 7 or 8 | 8 | 27 or 28 | 28 |
| 9 or 10 | 10 | 29 or 30 | 30 |
| 11 or 12 | 12 | 31 or 32 | 32 |
| 13 or 14 | 14 | 33 or 34 | 34 |
| 15 or 16 | 16 | 35 or 36 | 36 |
| 17 or 18 | 18 | 37 or 38 | 38 |
| 19 or 20 | 20 | | |

The tax credits and standard rate cut-off points used in the calculation of tax due where a **non-cumulative basis** applies are as follows:

**If week 1 basis applies use:**
Twice the amount of the weekly tax credits and standard rate cut-off point figure as shown on the Certificate of Tax Credits and Standard Rate Cut-Off Point or Tax Deduction Card. This would include the situation where fortnightly pay is paid in week 1.

**If temporary basis applies use:**
Twice the amount of the weekly tax credits and standard rate cut-off point figure as shown on the Certificate of Tax Credits and Standard Rate Cut-Off Point or on Form P45.

**If emergency basis applies:**
Tax is calculated on gross pay at the standard rate of tax **(20%)** for the first **two** fortnightly pay periods. The tax so calculated is reduced by a non-refundable tax credit of twice the weekly tax credit of £21.43.

For the next two fortnightly pay periods tax is calculated on gross pay at the standard rate of tax **(20%) with no tax credits.**

For any subsequent pay periods the gross pay is taxed at the higher rate of tax **(42%) with no tax credits.**

**Fortnight 19**
For the short tax "year" there will be 19 fortnightly pay days. Exceptionally, where a "**fortnight 20"** pay day occurs, pay in fortnight 20 should be treated on a week 1 basis and an extra fortnight's tax credits and standard rate cut-off point should be used in the calculation of tax due. Any underpayment of tax arising will be dealt with by way of review of the employee's liability after the end of the short tax "year".

## Four- weekly Pay: Tax Credits and Standard Rate Cut-Off Point to be used in the calculation of tax due:

If cumulative basis applies:

| Income tax week in which payment is made | Cumulative tax credits and Standard Rate Cut-Off Point at Week No. | Income tax week in which payment is made | Cumulative tax credits and Standard Rate Cut-Off Point at Week No. |
|---|---|---|---|
| 1 - 4 inclusive | 4 | 29-32 inclusive | 32 |
| 5 - 8 inclusive | 8 | 33-36 inclusive | 36 |
| 9 - 12 inclusive | 12 | 37-39 inclusive | Week 1 basis see below |
| 13 - 16 inclusive | 16 | | |
| 17 - 20 inclusive | 20 | | |
| 21 - 24 inclusive | 24 | | |
| 25 - 28 inclusive | 28 | | |

The tax credits and standard rate cut-off points used in the calculation of tax where a non-cumulative basis applies are as follows:

**If week 1 basis** applies use:
Four times the amount of the weekly tax credits and standard rate cut-off point figures as shown on the Certificate of Tax Credits and Standard Rate Cut-Off Point or tax deduction card (irrespective of the week in which the payment is made).

If **temporary basis** applies use:
Four times the amount of weekly tax credits and standard rate cut-off point figures as shown on the Certificate of Tax Credits and Standard Rate Cut-Off Point or on Form P45 (irrespective of the week in which the payment is made).

If **emergency basis** applies:
Tax is calculated on the gross pay at the standard rate of tax **(20%)** for the first four-weekly pay period. The tax as calculated is reduced by a non-refundable tax credit of four times the weekly tax credit of £21.43.

For the next four-weekly pay period tax is calculated on the gross pay at the standard rate of tax **(20%) with no tax credits.**

For any subsequent pay periods the gross pay is taxed at the higher rate of tax **(42%) with no tax credits.**

## *Monthly Pay: Tax Credits and Standard Rate Cut-Off Point to be used in the calculation of tax due:*

If **cumulative basis** applies use:
The cumulative tax credits and standard rate cut-off point up to and including the income tax month in which the pay day falls.

If **month 1 basis** applies use:

The amount of tax credits and standard rate cut-off point figures as shown on the Certificate of Tax Credits and Standard Rate Cut-Off Point or tax deduction card.

If **temporary basis** applies:
The amount of the monthly tax credits and standard rate cut-off point figures as shown on the Certificate of Tax Credits and Standard Rate Cut-Off Point or on Form P45.

If **emergency basis** applies:
Tax is calculated on gross pay at the standard rate of tax **(20%)** for the **first monthly** pay period. The tax as calculated is reduced by a non-refundable tax credit of £90.45.

For the next monthly pay period tax is calculated on gross pay at the standard rate of tax **(20%) with no tax credits.**

For any subsequent pay periods tax is calculated on gross pay at the higher rate of tax **(42%) with no tax credits.**

**Month 9:**
For the short tax "year", the annual tax credits and standard rate cut-off point will be divided by 9. Where, exceptionally, only 8 monthly pay days occur the tax office will deal with any refund of tax arising by way of review of the employee's liability at the end of the short tax "year".

# Calendar Tax Year

The income tax year, which previously ran from 6 April to 5 April is to be aligned with the calendar year. The move to a calendar year is to take effect from 1 January 2002. Thus the calendar year 2002, that is, the period from 1 January to 31 December 2002, will be the first full tax year under the new system.

The first calendar tax year, that is, the year 2002 will be preceded by a short transitional tax "year", running from 6 April to 31 December 2001.

For a normal 12 month tax year an employee would generally pay tax on the basis of 12 months earnings. Where a tax "year" is less than 12 months in length, employees cannot be expected to pay tax on 12 months earnings. Similarly, the normal annual income tax allowances, credits and tax bands will have to be scaled back to take account of the short tax "year".

Thus, for the short tax "year" an employee will pay tax on his/her earnings from 6 April to 31 December 2001 only. Moreover, income tax allowances, credits and bands for the short tax "year" will be 74% of the normal annual amounts. Although, the normal annual amount will be scaled back to 74% of what they would otherwise have been, employees will still have the same weekly or monthly allowances and credits as would have applied weekly/monthly for a 12 month tax year.

## How many weeks/fortnights/months are there in the Short Tax "Year"?

There are 38 full weeks and 4 days. This means that some employees will have 38 pay days and some will have 39. Where an employee has 39 pay days in the short tax "year" the procedures applicable to a payment falling in Week 53 in a full tax year will apply. This means that you should operate on a week 1 basis and calculate tax due by using one week's tax credits and one week's standard rate cut off point as advised in the Certificate of Tax Credits and Standard Rate Cut-Off Point/Tax Deduction Card.

The tax credits and the standard rate cut-off point due for the short tax "year" will be divided by 38 for weekly paid employees and by 9 for monthly paid employees.

For the short tax "year" there will be 19 fortnightly pay days. Where, exceptionally, a "fortnight 20" pay day occurs, pay in fortnight 20 should be treated on a Week 1 basis and an extra fortnight's tax credits and standard rate cut-off point should be used in the calculation of the tax due. Any underpayment of tax arising will be dealt with by way of review of the employee's liability after the end of the short tax "year".

Where, exceptionally only 8 monthly pay days (instead of 9) occur in the short tax "year" the tax office will deal with any refund of tax arising by way of review of the employee's liability at the end of the short tax "year".

The Certificates of Tax Credits and Standard Rate Cut-Off Point which will be issued will show the amounts due for the short tax "year" from 6 April 2001 to 31 December 2001.

**Weekly Tax Calendar for the short tax year from 6 April 2001 to 31 December 2001**

| Week Number | Pay day between (both dates inclusive) | | Week Number | Pay day between (both dates inclusive) | |
|---|---|---|---|---|---|
| 1 | April 6 - | April 12 | 21 | Aug 24 - | 30 |
| 2 | 13 - | 19 | 22 | 31 - | Sep 6 |
| 3 | 20 - | 26 | 23 | Sep 7 - | 13 |
| 4 | 27 - | May 3 | 24 | 14 - | 20 |
| 5 | May 4 - | 10 | 25 | 21 - | 27 |
| 6 | 11 - | 17 | 26 | 28 - | Oct 4 |
| 7 | 18 - | 24 | 27 | Oct 5 - | 11 |
| 8 | 25 - | 31 | 28 | 12 - | 18 |
| 9 | June 1 - | June 7 | 29 | 19 - | 25 |
| 10 | 8 - | 14 | 30 | 26 - | Nov 1 |
| 11 | 15 - | 21 | 31 | Nov 2 - | 8 |
| 12 | 22 - | 28 | 32 | 9 - | 15 |
| 13 | 29 - | July 5 | 33 | 16 - | 22 |
| 14 | July 6 - | 12 | 34 | 23 - | 29 |
| 15 | 13 - | 19 | 35 | 30 - | Dec 6 |
| 16 | 20 - | 26 | 36 | Dec 7 - | 13 |
| 17 | 27 - | Aug 2 | 37 | 14 - | 20 |
| 18 | Aug 3 - | 9 | 38 | 21 - | 27 |
| 19 | 10 - | 16 | *39 | 28 - | Dec 31 |
| 20 | 17 - | 23 | | | |

*Where a pay day falls in week 39 in the short tax "year", the procedures applicable to a payment falling in week 53 in a full tax year will apply.

# Pay, Benefits, Holiday Pay and Expenses

As stated in the introduction, this guide is aimed at employers with a very small number of employees and who have straightforward pay arrangements.

## Pay

Broadly speaking, the following general guidelines apply in deciding whether a payment, benefit, expense, etc. should be regarded as pay and taxed under the PAYE system.

All payments of wages, salaries, overtime, bonuses, holiday pay etc. by an employer are regarded as pay.

## Holiday Pay

The tax credits and standard rate cut-off point to be used in the calculation of tax on "holiday pay" paid in advance of the usual pay-day are strictly those which relate to the income tax week or month in which it is paid (whether cumulative, week1/month 1, temporary or emergency).

If, however, the effect of paying holiday pay in advance is that the employee receives the equivalent of two or three weeks pay in the same week and no pay in the following week, or following two weeks, the tax credits and standard rate cut-off point for those weeks may be taken into account in the calculation of tax due on the normal pay and the holiday pay **except where the employee is being paid holiday pay immediately before leaving the employment.**

Where holiday pay is being included in the last payment of salary or wages before 31 December 2001 (end of the short tax "year") and the relevant holiday period includes a period of the next income tax year (i.e. calendar year) the procedure is as follows:

- if, at the time the payment is being made a "multi-year" certificate or a Certificate of Tax Credits and Standard Rate Cut-Off Point or Tax Deduction Card for the next tax year has been received, the amount of the holiday pay in respect of the period in the next tax year should be ascertained. The amount of tax which would be deducted from the amount of such holiday pay as if it was paid in the next year should be calculated and entries made in the pay record for the next year accordingly. The entries in the pay record for the current year should be the net amount of the pay after subtracting the amount of the holiday pay included in the next years pay record from the amount of the total payment and the tax appropriate to such net amount on the basis of the cumulative tax credits and standard rate cut-off point at Week 38.
- If at the time the payment is being made neither a "multi-year" Certificate of Tax Credits and Standard Rate Cut-Off Point nor a following year's certificate nor a Tax Deduction Card has been received, the tax to be deducted should be calculated on the basis of the cumulative tax credits and standard rate cut-off point at Week 38 and entries made in this year's records only. The benefit of the cumulative tax credits and standard rate cut-off point from 1 January will be given when the first payment of salary or wages is being made to the employee in the next year.

## Benefits/Perks

If you have an employee to whom you make certain benefits/perks available i.e. a car, medical insurance, etc. the tax office will be glad to advise you on how they are taxed and on the implications for you as an employer.

## Expenses

Where you refund expenses to an employee, that have been incurred in carrying out the duties of the job, and for which the employee can produce receipts, these payments are not generally regarded as pay. Expenses incurred by an employee in travelling to and from the place of work are not allowable for tax purposes. The provision of bus and train passes, by employers to their employees, valid for one month or more, are not taxable. The bus or train pass must be in respect of a scheduled licensed passenger transport service. Information leaflets "Employee's Motoring Expenses" (IT51) and "Employee's Subsistence Expenses" (IT54) give further information and are available from any tax office, from Revenue Forms and Leaflets Service at (01) 878 0100 or from Revenue's Internet site at **www.revenue.ie**

If you are in any doubt as to whether any payment, benefit, etc. should be included as pay, you should contact your local tax office or the Central Telephone Information Office at (01) 878 0000 before making the payment.

## Net Pay

Net Pay is the employee's gross pay less any ordinary contributions made by the employee to a Superannuation Scheme and/or contributions to a Revenue Approved Permanent Health benefit Scheme that are deducted by the employer. These are deducted from gross pay, by the employer, before tax is calculated. PRSI contributions are calculated on net pay.

# Taxation of Social Welfare Payments

## Social Welfare Unemployment Benefit

A proportion of this benefit is taxable. This will not affect employers, as the tax office will collect any tax due.

## Taxation of Social Welfare Disability Benefit through the PAYE system

At present, the first 6 weeks (36 days) of Disability Benefit payments in the tax year are disregarded for tax purposes. Child Dependant additions (i.e. additional payments made to claimants in respect of qualifying children) are exempt for tax purposes. Any change in this situation will be advised by the tax office before the start of the new tax year once you are registered as an employer.

**References to Disability Benefit includes short-term Occupational Injury Benefit.**

### *Notification from the Department of Social, Community and Family Affairs*

The Department of Social, Community and Family Affairs will notify all employers of **the amount** of the weekly Disability Benefit (excluding Child Dependant additions, if relevant) which an employee is entitled to receive while out sick and **the date the payment commenced**. A week's Disability Benefit consists of payment for 6 days (excluding Sundays). Therefore, the daily rate is one-sixth of the weekly rate.

### *Calculation of Exemption Period*

Disability Benefit payable for the first 36 days in the tax year is exempt from tax.

Because the exemption applies to an aggregate period for which Disability Benefit is payable, Sundays and the 3 "waiting days" for which Disability Benefit is not payable are not included in calculating the 36 days for which exemption is due.

Where an employee uses the full exemption in one single sick period the exemption will, effectively, expire 39 days (excluding Sundays) from the first day of absence i.e. the 3 "waiting days" for which Disability Benefit is not payable plus the 36 days for which Disability Benefit is payable.

However, it should be noted that, where an employee uses the exemption over more than one period of absence where claims for Disability Benefit are separated by more than 3 days, the 3 "waiting days" for which Disability Benefit is not payable apply to each separate claim period. In such circumstances the aggregate 36 day exemption period may be increased by 3 days for each separate period of absence.

**For example, in the case of three separate periods of absence, the employee would need to be absent for 45 days (excluding Sundays) i.e. 36 + 3 + 3 + 3 before any Disability Benefit becomes taxable.**

When the period of exemption expires, Disability Benefit subsequently payable is taxable i.e. Disability Benefit payable less Child Dependant additions, if relevant.

### *Action by Employers - General*

**Because significant numbers of employees will be exempt from taxation of Disability Benefit as they will receive payment of Disability Benefit for less than 36 days in the tax year, taxing Disability Benefit through payroll will not be relevant for many employers or employees.**

Where it is relevant, the taxation of Disability Benefit through payroll will depend on the particular circumstances or arrangements between employers and employees while employees are out sick. These arrangements are set out in the following paragraphs.

As well as knowing the amounts of their employees' Disability Benefit payments, some employers will also be aware of the period to which the payments relate. Consequently, they will readily have the appropriate information to tax the Disability Benefit through payroll. They should, therefore, take immediate action in accordance with the appropriate section below to effectively tax Disability Benefit through payroll, after the relevant exemption period expires.

Where the employer is not aware of the amount of an employee's Disability Benefit but is otherwise in a position to take the necessary action, the basic personal rate of payment should be assumed until advised otherwise by the Department of Social, Community and Family Affairs or by the tax office.

**Employers who pay wages, salary etc., to employees while out sick and recover the short-term Disability Benefit from the employees**

The arrangement between these employers and employees will be such that the employer will be aware of:

- the date the employee went out sick
- the date from which Disability Benefit became payable
- the make-up of the Disability Benefit (i.e. Personal Rate, Adult Dependent and Child Dependent additions, if relevant etc.)

Appropriate action, should be taken by such employers without reference to the notification from the Department of Social, Community and Family Affairs, as they will already have all the relevant information to apply the exemption and taxation rules for Disability Benefit.

The amount of Disability Benefit the employee is entitled to receive for 36 days in aggregate in the tax year is exempt and should be excluded from payroll for tax purposes. This means that only the difference between the wages, salary etc. paid and the Disability Benefit recovered is subject to tax and PRSI for the duration of the exemption period.

If an employee is still out sick after the exemption period expires and continues to receive and pay over Disability Benefit to the employer while out sick, tax should be deducted from the gross wages, salary etc., less the Child Dependant additions of Disability Benefit, if relevant. However, PRSI should only be charged on the difference between the gross wages, salary etc., and the amount of Disability Benefit received. While Disability Benefit less Child Dependant additions is taxable after the exemption period expires, it is not chargeable to PRSI.

**Employers who pay wages, salary etc., to employees while out sick (top-up etc.) and the employees retain the Disability Benefit**

Where an employer pays employee's partial wages while out sick and the employee retains the Disability Benefit, the employer, to maintain the cumulative system of PAYE, may include the Disability Benefit (less Child Dependent additions, if relevant) with earnings. Under such a procedure the combined amount would be charged to tax but only the actual earnings paid by the employer would be charged to PRSI (Disability Benefit is not chargeable to PRSI).

For the purpose of the exemption such employers will be aware of the employees' circumstances. Until the Disability Benefit exemption period expires, tax and PRSI should be charged only on the wages actually paid. When the period of exemption expires the Disability Benefit should be taxed through payroll as outlined above, that is, the Disability Benefit included with earnings should be subject to tax but not PRSI.

However, some employers may not be able to include taxable Disability Benefit with earnings. To maintain the cumulative system of PAYE, those employers can opt to reduce employees' weekly/monthly tax credits by the weekly/monthly taxable amount at 20% and reduce the weekly/monthly standard rate cut-off point by the full taxable amount.

**For example:** An employee has a weekly tax credit of £45 and a weekly standard rate cut-off point of £200 and receives taxable Disability Benefit of £50 p.w. The employer should, if using this option:

- Reduce the weekly tax credit by £10 i.e. £50 @ 20%
- Reduce the weekly standard rate cut off point by £50

The cumulative tax credits and standard rate cut-off point for the following weeks would need to be adjusted accordingly.

Where it is not possible to maintain the cumulative system, employers can opt to reduce employees' weekly/monthly tax credits and standard rate cut-off point (as in the example) and operate on a Week 1/Month 1 non-cumulative basis as in example. Both these options can be availed of after the exemption period expires.

**Employers who do not pay wages, salary etc., to employees while out sick and the employee retains the Disability Benefit (including employers who use official Tax Deduction Cards)**

During the Disability Benefit tax exemption period, no adjustments for tax purposes are required and the cumulative system of PAYE (see Step 3 Page 16) continues unchanged where the employee returns to work before the end of the exemption period.

The exemption period should cover the majority of employees. However, if an employee is out of work due to illness after the exemption period expires, the following action should be taken.

Some employers who do not pay wages, salary etc., to employees while out sick may wish to maintain the cumulative system of PAYE. Taxable Disability Benefit payable after the period of exemption expires may be included as earnings on the tax deduction card and the cumulative system of PAYE continued as normal.

However, it may not be possible for other such employers to maintain the cumulative system. In those circumstances, when the employee returns to work, the weekly/monthly tax credits and standard rate cut-off point should be applied to the employee's earnings on a Week 1/Month 1 basis -

- until the end of the tax year (31 December 2001 in the short tax "year" and subsequent tax years) or
- until confirmation is received from the tax office that the cumulative basis should be reinstated.

The provisions under which refunds of tax may be made during periods of absence from work due to illness after the exemption period expires do not apply unless the tax office confirms that they should apply. It is essential that weekly/monthly tax credits and standard rate cut-off point are not accumulated and tax refunds inadvertently made.

If a cumulative certificate of tax credits and standard rate cut-off point or tax deduction card is received for an employee who was or is still out sick after the exemption period expires this documentation should only be used after checking with the tax office that it is in order to do so. The tax office may not be aware that the employee was out sick from work and in receipt of Disability Benefit.

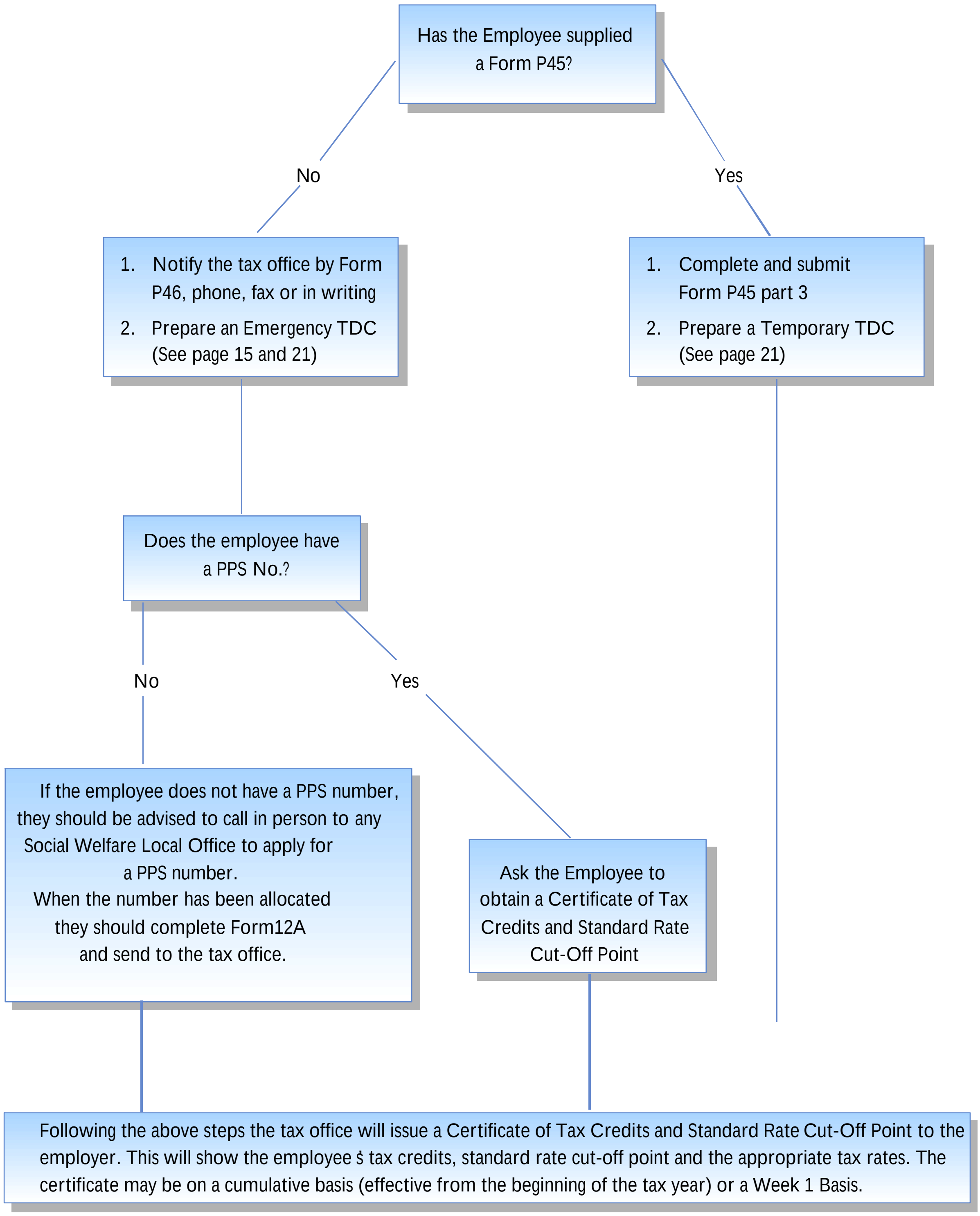
## *Tax Documents etc.*

Where taxable Disability Benefit is included with earnings and taxed through payroll as such, emoluments shown on tax documents e.g. P45, P60, P35 etc., should be inclusive of the taxable benefit.

Employers should notify their local PAYE tax office of the method of taxing Disability Benefit through payroll adopted by them.

# What happens when a new employee starts work?

The chart below shows the procedure to follow when a new employee commences to work for you



# New Employee - No Form P45

## Step 1

Notify the tax office of the new employee by completing Form P46 or otherwise contacting the tax office. In response to this notification the tax office will issue:

- Notification of the employee's Tax Credits and Standard Rate Cut-Off Point incorporated into the Tax Deduction Card if a manual system is operated
- A paper Certificate of Tax Credits and Standard Rate Cut-Off Point if the employer uses their "Own System"
- Details for the employee in electronic format if the employer is a member of the Computer Media Exchange Scheme if the certificate is issued before the start of the short tax "year". If the certificate is issued during the short tax "year" they will be in paper format.

**The PPS (Personal Public Service) number was formerly known as the RSI (Revenue and Social Insurance) number. If a new employee does not hold a PPS number they should be advised to call in person to any Social Welfare Local Office and ask for Leaflet SW100 to apply for a PPS number. When he/she has been allocated their number, Form 12A, should be completed and sent to the tax office.**

## Step 2

While waiting for the certificate of Tax Credits and Standard Rate Cut-Off Point, the employer uses an Emergency TDC. A simple example of how the Emergency rates are applied is shown below. It can be seen that for the short tax "year" **a tax credit of £21.43** is given for the first **4 weeks** and **no tax credit** is given for the subsequent weeks. Tax is calculated on gross pay at the standard rate of tax **(20%)** for the first 8 weeks and at the higher rate of tax **(42%)** for each subsequent week until a certificate of tax credits and standard rate cut-off point is received. The emergency rates generally change annually and any changes are advised to employers on record before the start of the new tax year.

**Example 1**

| Pay Week | Gross pay less superannuation and Permanent Health Benefit | Gross Tax | Tax Credit | Net Tax due |
|---|---|---|---|---|
| 1 | 200.00 | 40.00 | 21.43 | 18.57 |
| 2 | 200.00 | 40.00 | 21.43 | 18.57 |
| 3 | 200.00 | 40.00 | 21.43 | 18.57 |
| 4 | 200.00 | 40.00 | 21.43 | 18.57 |
| 5 | 200.00 | 40.00 | Nil | 40.00 |
| 6 | 200.00 | 40.00 | Nil | 40.00 |
| 7 | 200.00 | 40.00 | Nil | 40.00 |
| 8 | 200.00 | 40.00 | Nil | 40.00 |
| 9 and subsequent weeks | 200.00 | 84.00 | Nil | 84.00 |

When the Certificate of Tax Credits and Standard Rate Cut-Off Point /Tax Deduction Card is received the figures of Gross Pay (less superannuation and permanent health benefit) (£1,800) and the net tax due (£318.28) should be totalled and transferred from the Emergency Tax Deduction Card to the tax deduction card to the line immediately above the first pay-day on which the tax deduction card is issued.

The Emergency TDC is noted "Transferred to Tax Deduction Card".

### *Important Note regarding Emergency Tax*

**If the employee has separate periods of employment with one employer in the period 6 April 2001 to 31 December 2001 and the emergency basis applies in each period of employment, the employment is deemed to be continuous from the start of the first period of employment to the end of the last period of employment or to 31 December 2001, whichever is the earlier.**

**Example 2:**

A weekly paid employee is employed for weeks 10 to 14 and for weeks 24 to 28. The employer operates emergency basis for these 10 weeks as follows:

| | | Tax Credit | Tax Rate |
|---|---|---|---|
| Week 10 to 13 | 4 weeks | £21.43 | 20% |
| Week 14 and 24 to 26 | 4 weeks | Nil | 20% |
| Week 27 & 28 | 2 weeks | Nil | 42% |

The emergency rates of tax are advised to employers annually before the start of the new tax year.

**If the Certificate of Tax Credits and Standard Rate Cut-Off Point /Tax Deduction Card issued by the tax office indicates that it is effective from 6 April move to Step 3.**

**If the Certificate of Tax Credits and Standard Rate Cut-Off Point indicates that it is effective from the date of issue on a Week 1 Basis then move to Step 4.**

## Step 3

When the Certificate of Tax Credits and Standard Rate Cut-Off Point shows that it is to be applied from 6 April the tax due should be calculated on a cumulative basis i.e. from 6 April. The specimen TDC below shows how the figures from Example 1 should be transferred to the cumulative TDC. The employee has tax credits of £29.21 per week and standard rate cut-off point of £389.47 per week.

| Week No. | Gross Pay | Cum. Gross Pay | Cum. Standard Rate Cut-Off Point | Cum. Tax due at Standard Rate | Cum. Tax due at Higher Rate | Cum. Gross Tax | Cum. Tax Credit | Cum. Tax | Tax deducted this period | Tax refunded this period |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | 389.47 | | | | 29.21 | | | |
| 2 | | | 778.94 | | | | 58.42 | | | |
| 3 | | | 1,168.41 | | | | 87.63 | | | |
| 4 | | | 1,557.88 | | | | 116.84 | | | |
| 5 | | | 1,947.35 | | | | 146.05 | | | |
| 6 | | | 2,336.82 | | | | 175.26 | | | |
| 7 | | | 2,726.29 | | | | 204.47 | | | |
| 8 | | | 3,115.76 | **Transferred from Emergency Tax Deduction Card** | | | 233.68 | | | |
| 9 | | **1,800** | 3,505.23 | | | | 262.89 | 318.28 | | |
| 10 | 200 | 2,000 | 3,894.70 | 400.00 | Nil | 400.00 | 292.10 | 107.90 | Nil | 210.38 |
| 11 | 200 | 2,200 | 4,284.17 | 440.00 | Nil | 440.00 | 321.31 | 118.69 | 10.79 | Nil |

## Step 4

When the Certificate of Tax Credits and Standard Rate Cut-Off Point/Tax Deduction Card shows that is to be applied from the date of issue on a **Week 1 Basis** the tax due should be calculated on a non-cumulative basis i.e. without reference to previous paydays. The example, using the same situation as in the example above shows how this is done.

| Week No. | Gross Pay | Cum. Gross Pay | Cum. Standard Rate Cut-Off Point | Cum. Tax due at Standard Rate | Cum. Tax due at Higher Rate | Cum. Gross Tax | Cum. Tax Credit | Cum. Tax | Tax deducted this period | Tax refunded this period |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | 389.47 | | | | 29.21 | | | |
| 2 | | | 389.47 | | | | 29.21 | | | |
| 3 | | | 389.47 | | | | 29.21 | | | |
| 4 | | | 389.47 | | | | 29.21 | | | |
| 5 | | | 389.47 | | | | 29.21 | | | |
| 6 | | | 389.47 | | | | 29.21 | | | |
| 7 | | | 389.47 | | | | 29.21 | | | |
| 8 | | | 389.47 | **Transferred from Emergency Tax Deduction Card** | | | 29.21 | | | |
| 9 | | 1,800 | 389.47 | | | | 29.21 | 318.28 | | |
| 10 | 200 | | 389.47 | 40.00 | Nil | 40.00 | 29.21 | | 10.79 | Nil |
| 11 | 200 | | 389.47 | 40.00 | Nil | 40.00 | 29.21 | | 10.79 | Nil |

**Note- a refund of tax cannot be made while a Week 1 basis TDC is in use.**

# New Employee - With Form P45

If an employee provides Form P45 (parts 2 & 3), it is possible to give the employee the benefit of the correct Tax Credits and Standard Rate Cut-Off Point while waiting for a Certificate of Tax Credits and Standard Rate Cut-Off Point/Tax Deduction Card from the tax office.

The sequence of events to be undertaken is as follows:

## Step 1

The employer retains the Form P45 (Part 2).

## Step 2

The employer completes the 'New Employer' portion of the P45 (3) and sends it to the tax office.

When the tax office receives the Form P45 (Part 3) a Certificate of Tax Credits and Standard Rate Cut-Off Point/Tax Deduction Card will issue showing the employee's:

- Tax credits
- Standard Rate Cut-Off Point
- Rates of Tax

## Step 3

Prepare a Temporary TDC - see guidelines on the completion of Temporary/ Emergency TDC on Page 21.

## Step 4

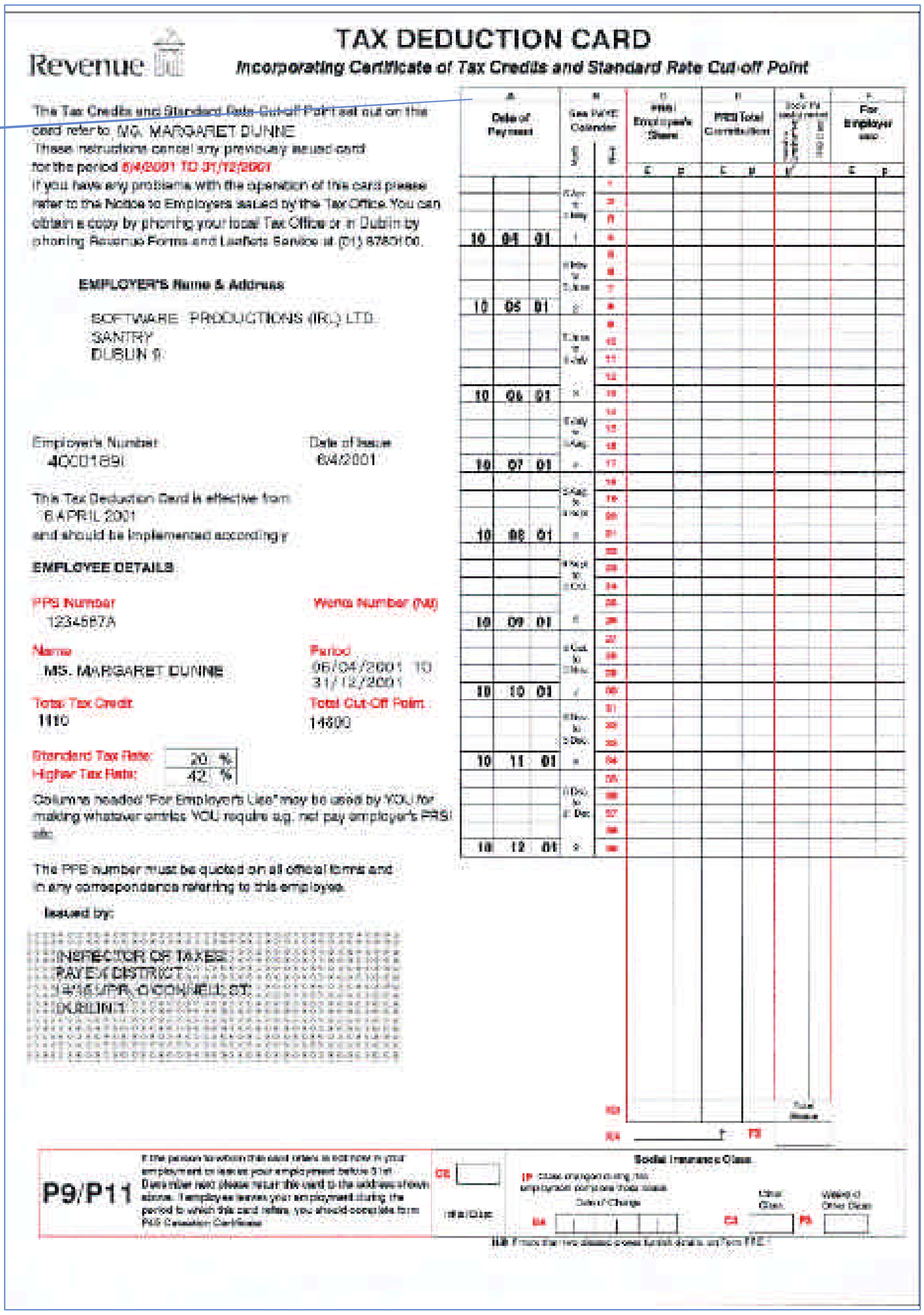
When the Certificate of Tax Credits and Standard Rate Cut-Off Point /TDC is received the totals from the Temporary TDC, **added to the details on line 5 of the Form P45,** must be transferred to the TDC on the line immediately above the pay-day it is first used.

# *Guidelines on how to complete a Tax Deduction Card*

The Tax Deduction Card (TDC) below illustrates the workings in respect of tax credits and standard rate cut-off point. In the example, the employee is paid monthly and has gross pay of £18,000 in the period 6 April 2001 to 31 December 2001. The employee has tax credits, £1,110 and standard rate cut-off point, £14,800.

Columns I and M on the TDC contain pre-printed information. The figures in the other columns are manually entered by the employer. As this example is simply to show how tax credits and standard rate cut-off point operate the PRSI calculations have not been included.

| Description of Entry for each Column | |
|---|---|
| A | Enter pay date |
| B | This column is preprinted in full. No entry required |
| C, D & E | Enter PRSI details as appropriate. (Ignored for the purposes of this example.) |
| F | For employer use e.g. to record net pay etc. |



TAX DEDUCTION CARD

*Incorporating Certificate of Tax Credits and Standard Rate Cut-off Point*

The Tax Credits and Standard Rate Cut-off Point set out on this card refer to MS. MARGARET DUNNE
These instructions cancel any previously issued card for the period 6/4/2001 TO 31/12/2001
If you have any problems with the operation of this card please refer to the Notice to Employers issued by the Tax Office. You can obtain a copy by phoning your local Tax Office or in Dublin by phoning Revenue Forms and Leaflets Service at (01) 8780100.

EMPLOYER'S Name & Address

SOFTWARE PRODUCTIONS (IRL) LTD.
SANTRY
DUBLIN 9

Employer's Number 4000189I

Date of Issue 6/4/2001

This Tax Deduction Card is effective from 6 APRIL 2001 and should be implemented accordingly

EMPLOYEE DETAILS

PPS Number 1234567A

Works Number (NA)

Name MS. MARGARET DUNNE

Period 06/04/2001 TO 31/12/2001

Total Tax Credit 1110

Total Cut-Off Point 14800

Standard Tax Rate: 20 %
Higher Tax Rate: 42 %

Columns headed "For Employer's Use" may be used by YOU for making whatever entries YOU require e.g. net pay employer's PRSI etc.

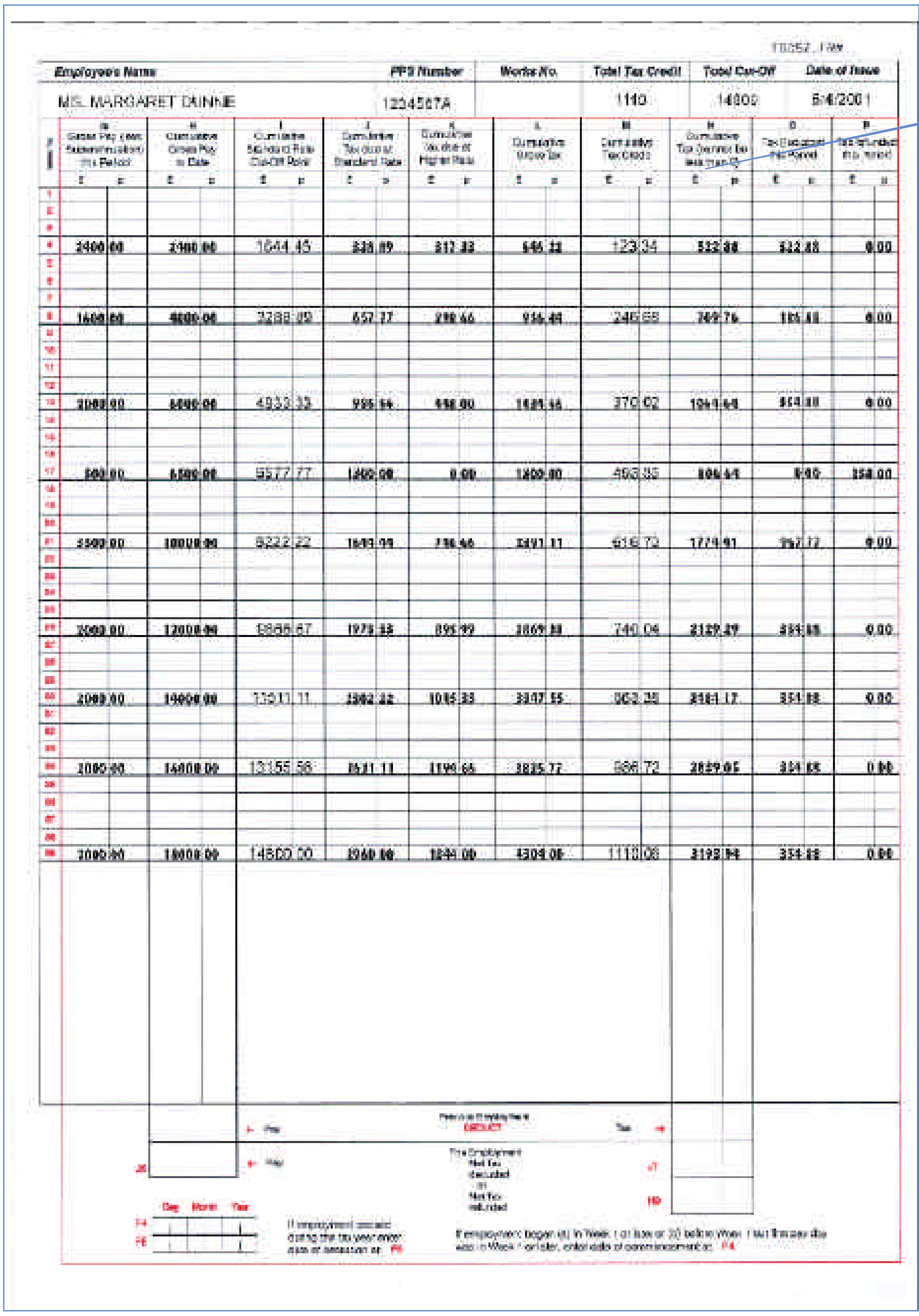
The PPS number must be quoted on all official forms and in any correspondence referring to this employee.

Issued by:

INSPECTOR OF TAXES
PAYE 4 DISTRICT
14/16 UPR. O'CONNELL ST.
DUBLIN 1

| Date of Payment | | |
|---|---|---|
| 10 | 04 | 01 |
| 10 | 05 | 01 |
| 10 | 06 | 01 |
| 10 | 07 | 01 |
| 10 | 08 | 01 |
| 10 | 09 | 01 |
| 10 | 10 | 01 |
| 10 | 11 | 01 |
| 10 | 12 | 01 |

P9/P11



| Employee's Name | PPS Number | Works No. | Total Tax Credit | Total Cut-Off | Date of Issue |
|---|---|---|---|---|---|
| MS. MARGARET DUNNE | 1234567A | | 1110 | 14800 | 6/4/2001 |

| Week | G Gross Pay (less Superannuation) this Period | H Cumulative Gross Pay to Date | I Cumulative Standard Rate Cut-Off Point | J Cumulative Tax due at Standard Rate | K Cumulative Tax due at Higher Rate | L Cumulative Gross Tax | M Cumulative Tax Credit | N Cumulative Tax (less than 0) | O Tax Deducted this Period | P Tax Refunded this Period |
|---|---|---|---|---|---|---|---|---|---|---|
| 4 | 2400.00 | 2400.00 | 1644.45 | 328.89 | 312.33 | 646.22 | 123.34 | 522.88 | 522.48 | 0.00 |
| 8 | 1600.00 | 4000.00 | 3288.89 | 657.77 | 298.66 | 956.43 | 246.68 | 709.76 | 186.88 | 0.00 |
| 13 | 2000.00 | 6000.00 | 4933.33 | 986.66 | 448.00 | 1434.66 | 370.02 | 1064.64 | 354.88 | 0.00 |
| 17 | 500.00 | 6500.00 | 5577.77 | 1300.00 | 0.00 | 1300.00 | 493.35 | 806.65 | 0.00 | 258.00 |
| 21 | 2500.00 | 10000.00 | 8222.22 | 1644.44 | 756.66 | 2401.11 | 616.70 | 1784.41 | 967.77 | 0.00 |
| 26 | 2000.00 | 12000.00 | 9866.67 | 1973.33 | 895.99 | 2869.33 | 740.04 | 2129.29 | 344.88 | 0.00 |
| 30 | 2000.00 | 14000.00 | 11511.11 | 2302.22 | 1085.33 | 3387.55 | 863.38 | 2524.17 | 394.88 | 0.00 |
| 34 | 2000.00 | 16000.00 | 13155.56 | 2631.11 | 1194.66 | 3825.77 | 986.72 | 2839.05 | 314.88 | 0.00 |
| 39 | 2000.00 | 18000.00 | 14800.00 | 2960.00 | 1344.00 | 4304.00 | 1110.08 | 3193.92 | 354.88 | 0.00 |

| Description of Entry for each Column | |
|---|---|
| G | Enter gross pay (less superannuation) for this pay period. |
| H | Enter cumulative gross pay (less superannuation) to date i.e. pay for this period plus cumulative gross pay to the previous pay period) |
| I | This information is provided by the tax office |
| J | Enter the lower of column H or I multiplied by standard rate of tax as advised by the tax office |
| K | Where H minus I is positive enter the result @ 42%. Where H minus I is negative enter nil |
| L | Add the figures in J and K and insert the answer in this column |
| M | This information is provided by the tax office |
| N | Subtract M from L and insert the answer in this column. Where the answer is negative enter nil |
| O | Subtract the cumulative tax (N) for the last pay period from the cumulative tax (N) for this pay period and enter the result here. Where the answer is negative enter nil |
| P | Subtract the cumulative tax (N) for this pay period from the cumulative tax (N) for the last pay period and enter the result here. Where the answer is negative enter nil |

## TDC issued on a Week 1 Basis

The TDC indicates that the card is effective from the date of issue on a Week I Basis and the Standard Rate Cut-Off Point and Tax Credits printed in Column I and M is the same on each line.

When the TDC is on a Week 1 Basis each week is treated separately. **Accordingly, no entry will be made in Columns L, N and P**. Columns G and H are completed in the same way as for employees on a Cumulative basis.

**Column O:** Tax payable in this pay period.

**Column P:** No entry should be made in this column, as the question of a refund will not arise on a Week 1 Basis.

### *Changing from the Cumulative Basis to Week 1 Basis or from Week 1 Basis to Cumulative Basis*

If a TDC on a cumulative basis is replaced by a TDC on a Week I Basis for the same employee, the final entries in Columns H (Cumulative Pay) and N (Cumulative Tax) on the old TDC should be transferred to the line immediately above the line for the first pay-day to which the new TDC applies. The entries for subsequent weeks should be made in accordance with the guidelines in Step 4 on Page 16.

If a TDC on a Week I Basis is replaced by a TDC on a cumulative basis for the same employee, the final entries in Columns H (Cumulative Pay) and N (Cumulative Tax) on the old TDC should be transferred to the line immediately above the line for the first pay-day to which the new TDC applies.

**[No further entries should be made on the old card, which should be marked "Transferred to new TDC".]**

### *Entries to be made at the end of the Tax Year i.e. Short Tax "year" ending on 31 December 2001*

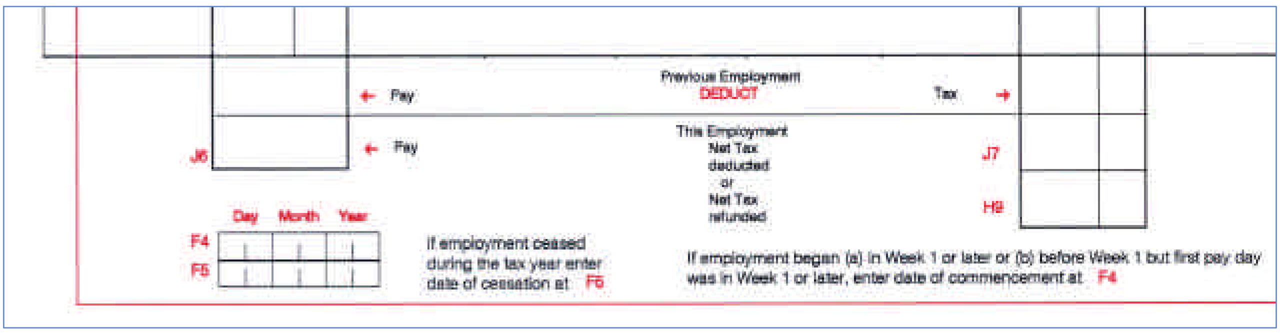
**Box J6**: Enter the total pay for the year ended 31 December 2001 in respect of the employment with you. If the employee had pay from another source (i.e. as shown on P45 or letter from the tax office) the total of such income should be shown in the box immediately above Box J6.

**Box J7**: Enter the total tax deducted for the year ended 31 December 2001 in respect of the employment with you. If the employee had paid tax from another source (i.e. as shown on P45 or letter from tax office the total of such tax should be shown in the box immediately above J7.

If however, tax repaid by you to the employee is more than the tax deducted the tax refunded should be recorded in Box H9 and Box J7 should remain blank.

**Box F4**: Enter the date the employee commenced with you if the first pay-day is during the tax year to which the TDC refers.

**Box F5:** Enter the date the employee ceased with you if the employment ceased during the tax year to which the TDC refers.



# Guidelines on how to complete a Temporary/Emergency Tax Deduction Card

## General Notes

A single card is provided for use either as an Emergency TDC or as a Temporary TDC. Columns M is provided for the convenience of the employer and may be used for recording other information relating to wages or salaries.

### Which TDC should be used?

**Use TEMPORARY TDC** if the employee gives you a Form P45, which shows Tax Credits and Standard Rate Cut-Off point for the current year.

**Use EMERGENCY TDC if you have not received:**

- A Certificate of Tax Credits and Standard Rate Cut-Off Point/TDC or
- A Form P45 where the Tax Credits and Standard Rate Cut-Off Point for the current year are shown. During the short tax 'year' (6 April 2001 to 31 December 2001) if you receive a Form P45 from an employee for a prior year, you must operate the emergency basis, as it will not show Tax Credits and Standard Rate Cut-Off Point.

### Completion of the Temporary and Emergency TDCs

Enter 'Employee' and 'Employer' details in the spaces provided on the card. If you know the employee's PPS number it must be entered.

The following entries should be made on the line relating to the appropriate week or month.

**Column F:** Gross pay: (Including overtime, bonus, commissions etc.) after deduction of any Superannuation and contributions to a Revenue Approved permanent health benefit scheme payable and allowable for income tax purposes.

**Column G:** The provisional standard rate cut-off point: Temporary TDC: Standard rate cut-off point as shown on Form P45.

**Column H:** Tax due at standard rate of tax this period

**Column I:** Tax due at higher rate of tax this period

**Column J:** Gross tax this period

**Column K:** The provisional tax credits:

Temporary TDC: Tax credits as shown on Form P45.

Emergency TDC: Emergency tax credits as advised annually by the tax office. These tax credits are used for the first 4 weeks and no tax credits are allowed for subsequent weeks.

**Column L:** Tax due for this period.

**Column M:** This column is for the use of the employer.

**A refund should not be made by an employer where a Temporary/Emergency TDC is in use.**

**Entries to be made at the end of the Tax Year i.e. Short Tax 'year' ending on 31 December 2001**

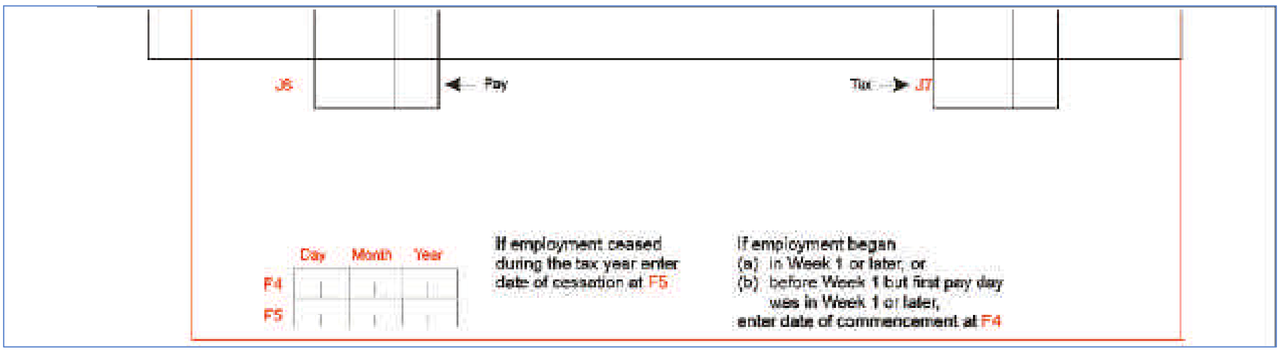
If you are using a Temporary/Emergency TDC at the end of the tax year the following entries should be made:

**Box J6:** Enter the total pay for the year ended 31 December in respect of the employment with you.

**Box J7**: Enter the total tax deducted for the year ended 31 December in respect of the employment with you.

**Box F4**: Enter the date the employee commenced with you if first pay day is during the tax year to which the TDC refers.

**Box F5:** Enter the date the employee ceased with you if the employment ceased in the tax year to which the TDC refers.



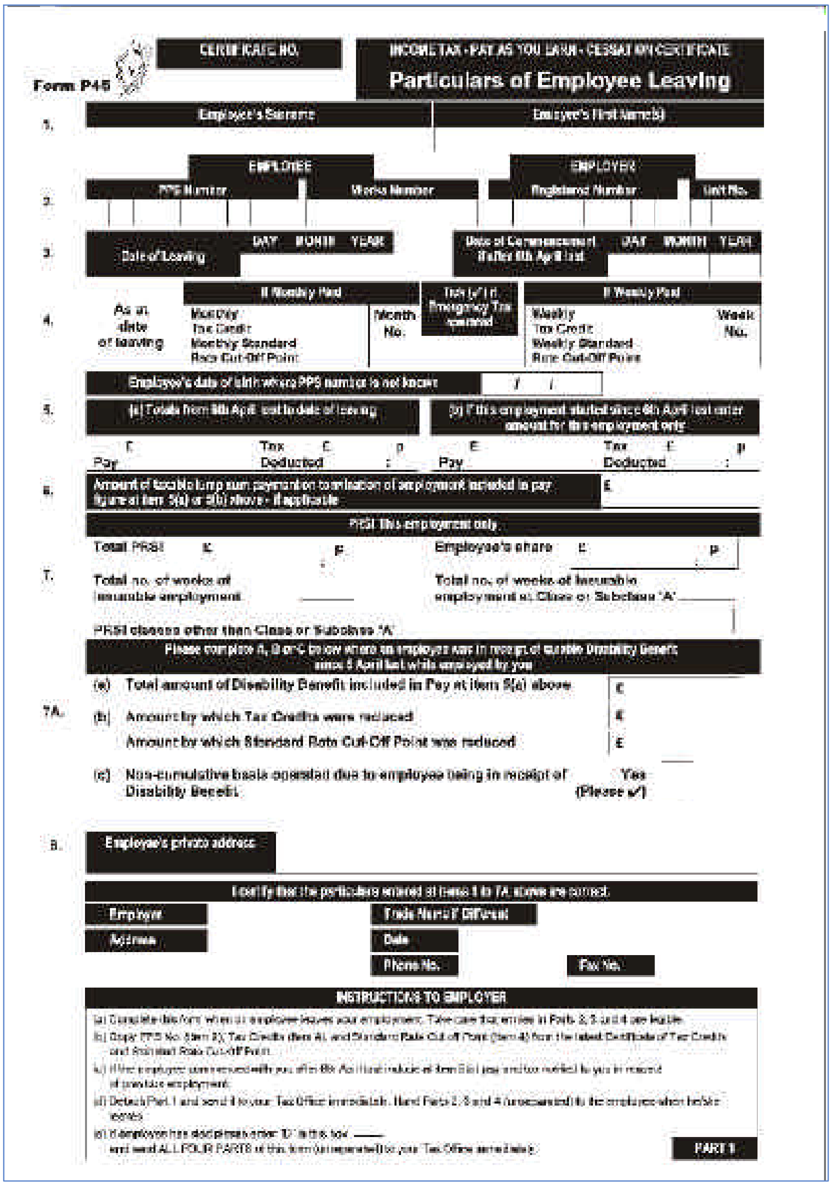
# Events that may occur during the tax year

## Form P45 - Cessation Certificate

When an employee leaves employment during the year a Form P45, is given by an employer to an employee. This is a form certifying the employee's Pay, Tax and PRSI contributions from the start of the tax year to the date of cessation. The figures should be copied from the TDC. It is a four-part form - Part 1 should be sent to the tax office and Parts 2,3 and 4 given to the employee on their cessation date or with their final wages payment. It is an important form and is required by the employee for:

- Refund of tax during unemployment
- Claiming Social Welfare Benefits
- To give to their next employer

A sample of the Form P45 is shown here.



Form P45

CERTIFICATE NO.

INCOME TAX - PAY AS YOU EARN - CESSATION CERTIFICATE

Particulars of Employee Leaving

1. Employee's Surname | Employee's First Name(s)

2. EMPLOYEE: PPS Number | Works Number — EMPLOYER: Registered Number | Unit No.

3. Date of Leaving DAY MONTH YEAR | Date of Commencement if after 6th April last DAY MONTH YEAR

4. As at date of leaving — If Monthly Paid: Monthly Tax Credit, Monthly Standard Rate Cut-Off Point, Month No. | Tick (✓) if Emergency Tax operated | If Weekly Paid: Weekly Tax Credit, Weekly Standard Rate Cut-Off Point, Week No.

Employee's date of birth where PPS number is not known / /

5. (a) Totals from 6th April last to date of leaving — Pay £ p, Tax Deducted £ p | (b) If this employment started since 6th April last enter amount for this employment only — Pay £ p, Tax Deducted £ p

6. Amount of taxable lump sum payment on termination of employment included in pay figure at item 5(a) or 5(b) above - if applicable £

7. PRSI this employment only — Total PRSI £ p; Employee's share £ p; Total no. of weeks of insurable employment; Total no. of weeks of insurable employment at Class or Subclass 'A'; PRSI classes other than Class or Subclass 'A'

7A. Please complete A, B or C below where an employee was in receipt of taxable Disability Benefit since 6 April last while employed by you

(a) Total amount of Disability Benefit included in Pay at item 5(a) above £

(b) Amount by which Tax Credits were reduced £

Amount by which Standard Rate Cut-Off Point was reduced £

(c) Non-cumulative basis operated due to employee being in receipt of Disability Benefit — Yes (Please ✓)

8. Employee's private address

I certify that the particulars entered at items 1 to 7A above are correct.

Employer | Trade Name if Different

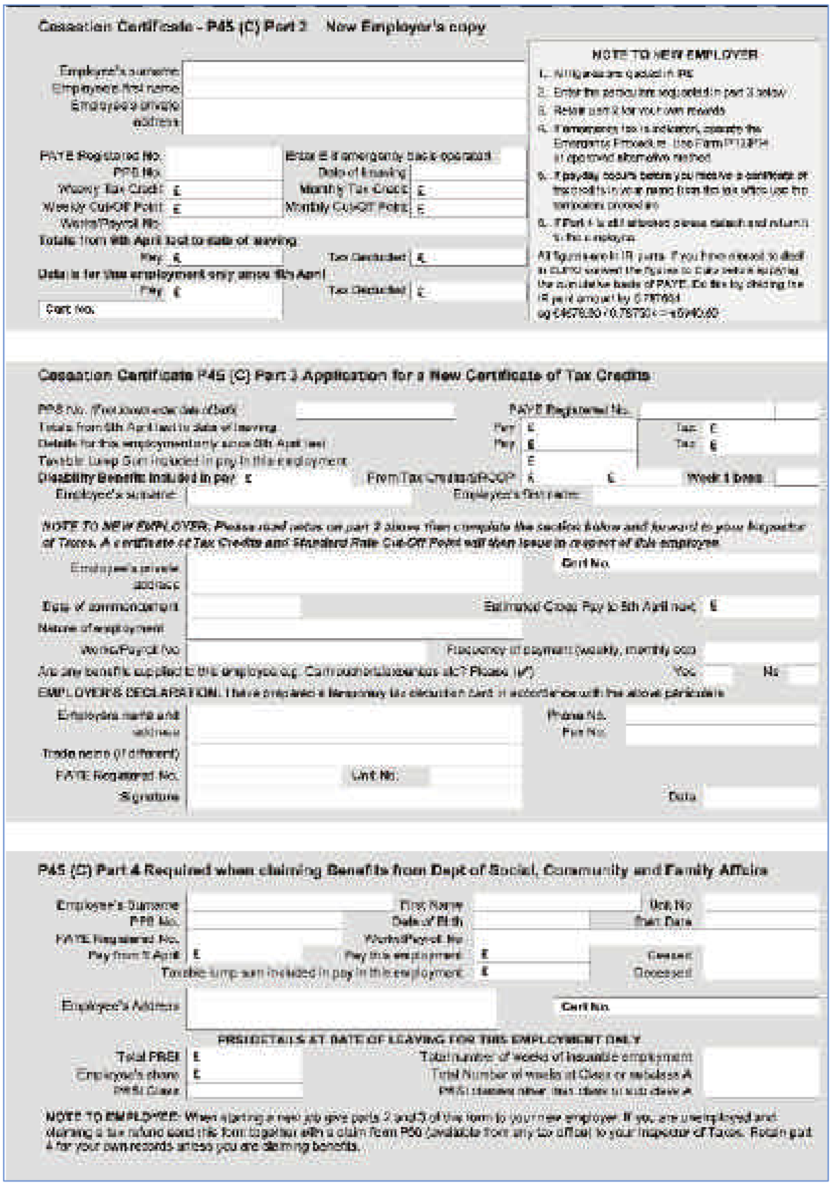
Address | Date

Phone No. | Fax No.

INSTRUCTIONS TO EMPLOYER

PART 1

**The new Revenue On-Line Service (ROS) provides a facility for the submission of Form P45 Part 1 on- line and the printing of Parts 2,3 and 4 onto computer stationery which is available from our Revenue Forms and Leaflets Service at (01) 8780100. For further information please refer to our website at**www.revenue.ie **or** www.ros.ie



**Cessation Certificate - P45 (C) Part 2 New Employer's copy**

Employee's surname
Employee's first name
Employee's private address
PAYE Registered No.
PPS No.
Weekly Tax Credit £
Weekly Cut-Off Point £
Works/Payroll No.
Enter E if emergency basis operated
Date of leaving
Monthly Tax Credit £
Monthly Cut-Off Point £
Totals from 6th April last to date of leaving
Pay £
Tax Deducted £
Details for this employment only since 6th April
Pay £
Tax Deducted £
Cert No.

NOTE TO NEW EMPLOYER

**Cessation Certificate P45 (C) Part 3 Application for a New Certificate of Tax Credits**

PPS No.
PAYE Registered No.
Totals from 6th April last to date of leaving
Pay £
Tax £
Details for this employment only since 6th April last
Pay £
Tax £
Taxable Lump Sum included in pay in this employment £
Disability Benefit included in pay £
Week 1 basis
Employee's surname
Employee's first name

*NOTE TO NEW EMPLOYER: Please read notes on part 2 above then complete the section below and forward to your Inspector of Taxes. A certificate of Tax Credits and Standard Rate Cut-Off Point will then issue in respect of this employee.*

Employee's private address
Cert No.
Date of commencement
Estimated Gross Pay to 5th April next £
Nature of employment
Works/Payroll No.
Frequency of payment (weekly, monthly etc)
Yes
No
EMPLOYER'S DECLARATION
Employer's name and address
Phone No.
Fax No.
Trade name (if different)
PAYE Registered No.
Unit No.
Signature
Date

**P45 (C) Part 4 Required when claiming Benefits from Dept of Social, Community and Family Affairs**

Employee's Surname
First Name
Unit No
PPS No.
Date of Birth
Start Date
PAYE Registered No.
Works/Payroll No
Pay from 6 April £
Pay this employment £
Ceased
Deceased
Taxable lump sum included in pay in this employment £
Employee's Address
Cert No.
PRSI DETAILS AT DATE OF LEAVING FOR THIS EMPLOYMENT ONLY
Total PRSI £
Employee's share £
PRSI Class
Total number of weeks of insurable employment

## Other circumstances.

In the course of operating the PAYE system for an employee, situations may arise that will require certain action by you. This may occur at a time when an employee is being paid holiday money, pay increases etc.

Set out in the example below is a series of events, which, if they happen, will require action by you. A completed TDC is reproduced below, showing how the events in the following example are recorded.

**Example**

The following events occur during the tax year:

X LTD. operates the PAYE/PRSI system for its employee John Doyle who has been employed by the company for some years. His weekly Tax Credit is £29.22 and his Standard Rate Cut Off Point is £389.48 for the short tax 'year" i.e. from 6 April 2001 to 31 December 2001.

**A** On Week 17 (2 August) he receives 4 weeks' pay which includes 3 weeks' holiday pay to Week 20 (23 August).

As he is returning to work after his holidays he can get the Tax Credits and Standard Rate Cut-Off Point due to him for the holiday period as if he was paid weekly in the normal way instead of in advance. In order to benefit from the cumulative Tax Credits and Standard Rate Cut-Off Point up to 23 August all details for the pay-day 2 August are shown at Week 20.

**B** His weekly wage of £350 increased by £20 to £370 from Week 25 (27 September).

**C** He received a Christmas Bonus of £500.00 on Week 38.

| | A | B | G | H | I | J | K | L | M | N | O | P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Date | Week No | Gross Pay (less superannuation) this period | Cumulative Gross Pay | Cumulative Standard Rate Cut-Off Point | Cumulative Tax due at Standard Rate | Cumulative Tax Due at Higher Rate | Cumulative Gross Tax | Cumulative Tax Credit | Cumulative Tax. Cannot be less than 0 | Tax Deducted this Period | Tax Refunded this Period |
| | 09/04/01 | 1 | 350 | 350.00 | 389.48 | 70.00 | 0.00 | 70.00 | 29.22 | 40.78 | 40.78 | 0 |
| | 16/04/01 | 2 | 350 | 700.00 | 778.96 | 140.00 | 0.00 | 140.00 | 58.44 | 81.56 | 40.78 | 0 |
| | 23/04/01 | 3 | 350 | 1050.00 | 1168.44 | 210.00 | 0.00 | 210.00 | 87.66 | 122.34 | 40.78 | 0 |
| | 30/04/01 | 4 | 350 | 1400.00 | 1557.92 | 280.00 | 0.00 | 280.00 | 116.88 | 163.12 | 40.78 | 0 |
| | 07/05/01 | 5 | 350 | 1750.00 | 1947.40 | 350.00 | 0.00 | 350.00 | 146.10 | 203.90 | 40.78 | 0 |
| | 14/05/01 | 6 | 350 | 2100.00 | 2336.88 | 420.00 | 0.00 | 420.00 | 175.32 | 244.68 | 40.78 | 0 |
| | 21/05/01 | 7 | 350 | 2450.00 | 2726.36 | 490.00 | 0.00 | 490.00 | 204.54 | 285.46 | 40.78 | 0 |
| | 28/05/01 | 8 | 350 | 2800.00 | 3115.84 | 560.00 | 0.00 | 560.00 | 233.76 | 326.24 | 40.78 | 0 |
| | 04/06/01 | 9 | 350 | 3150.00 | 3505.32 | 630.00 | 0.00 | 630.00 | 262.98 | 367.02 | 40.78 | 0 |
| | 11/06/01 | 10 | 350 | 3500.00 | 3894.80 | 700.00 | 0.00 | 700.00 | 292.20 | 407.80 | 40.78 | 0 |
| | 18/06/01 | 11 | 350 | 3850.00 | 4284.28 | 770.00 | 0.00 | 770.00 | 321.42 | 448.58 | 40.78 | 0 |
| | 25/06/01 | 12 | 350 | 4200.00 | 4673.76 | 840.00 | 0.00 | 840.00 | 350.64 | 489.36 | 40.78 | 0 |
| | 02/07/01 | 13 | 350 | 4550.00 | 5063.24 | 910.00 | 0.00 | 910.00 | 379.86 | 530.14 | 40.78 | 0 |
| | 09/07/01 | 14 | 350 | 4900.00 | 5452.72 | 980.00 | 0.00 | 980.00 | 409.08 | 570.92 | 40.78 | 0 |
| | 16/07/01 | 15 | 350 | 5250.00 | 5842.20 | 1050.00 | 0.00 | 1050.00 | 438.30 | 611.70 | 40.78 | 0 |
| | 23/07/01 | 16 | 350 | 5600.00 | 6231.68 | 1120.00 | 0.00 | 1120.00 | 467.52 | 652.48 | 40.78 | 0 |
| A | 30/07/01 | 17 | 0 | 5600.00 | 6621.16 | 1120.00 | 0.00 | 1120.00 | 496.74 | 623.26 | 0.00 | 29.22 |
| | 06/08/01 | 18 | 0 | 5600.00 | 7010.64 | 1120.00 | 0.00 | 1120.00 | 525.96 | 594.04 | 0.00 | 29.22 |
| | 13/08/01 | 19 | 0 | 5600.00 | 7400.12 | 1120.00 | 0.00 | 1120.00 | 555.18 | 564.82 | 0.00 | 29.22 |
| | 20/08/01 | 20 | 1400 | 7000.00 | 7789.60 | 1400.00 | 0.00 | 1400.00 | 584.40 | 815.60 | 250.78 | 0 |
| | 27/08/01 | 21 | 350 | 7350.00 | 8179.08 | 1470.00 | 0.00 | 1470.00 | 613.62 | 856.38 | 40.78 | 0 |
| | 03/09/01 | 22 | 350 | 7700.00 | 8568.56 | 1540.00 | 0.00 | 1540.00 | 642.84 | 897.16 | 40.78 | 0 |
| | 10/09/01 | 23 | 350 | 8050.00 | 8958.04 | 1610.00 | 0.00 | 1610.00 | 672.06 | 937.94 | 40.78 | 0 |
| | 17/09/01 | 24 | 350 | 8400.00 | 9347.52 | 1680.00 | 0.00 | 16890.00 | 701.28 | 978.72 | 40.78 | 0 |
| B | 24/09/01 | 25 | 370 | 8770.00 | 9737.00 | 1754.00 | 0.00 | 1754.00 | 730.50 | 1023.50 | 44.78 | 0 |
| | 01/10/01 | 26 | 370 | 9140.00 | 10126.48 | 1828.00 | 0.00 | 1828.00 | 759.72 | 1068.28 | 44.78 | 0 |
| | 08/10/01 | 27 | 370 | 9510.00 | 10515.96 | 1902.00 | 0.00 | 1902.00 | 788.94 | 1113.06 | 44.78 | 0 |
| | 15/10/01 | 28 | 370 | 9880.00 | 10905.44 | 1976.00 | 0.00 | 1976.00 | 818.16 | 1157.84 | 44.78 | 0 |
| | 22/10/01 | 29 | 370 | 10250.00 | 11294.92 | 2050.00 | 0.00 | 2050.00 | 847.38 | 1202.62 | 44.78 | 0 |
| | 29/10/01 | 30 | 370 | 10620.00 | 11684.40 | 2124.00 | 0.00 | 2124.00 | 876.60 | 1247.40 | 44.78 | 0 |
| | 05/11/01 | 31 | 370 | 10990.00 | 12073.88 | 2198.00 | 0.00 | 2198.00 | 905.82 | 1292.18 | 44.78 | 0 |
| | 12/11/01 | 32 | 370 | 11360.00 | 12463.36 | 2272.00 | 0.00 | 2272.00 | 935.04 | 1336.96 | 44.78 | 0 |
| | 19/11/01 | 33 | 370 | 11730.00 | 12852.84 | 2346.00 | 0.00 | 2346.00 | 964.26 | 1381.74 | 44.78 | 0 |
| | 26/11/01 | 34 | 370 | 12100.00 | 13242.32 | 2420.00 | 0.00 | 2420.00 | 993.48 | 1426.52 | 44.78 | 0 |
| | 03/12/01 | 35 | 370 | 12470.00 | 13631.80 | 2494.00 | 0.00 | 2494.00 | 1022.70 | 1471.30 | 44.78 | 0 |
| | 10/12/01 | 36 | 370 | 12840.00 | 14021.28 | 2568.00 | 0.00 | 2568.00 | 1051.92 | 1516.08 | 44.78 | 0 |
| | 17/12/01 | 37 | 370 | 13210.00 | 14410.76 | 2642.00 | 0.00 | 2642.00 | 1081.14 | 1560.86 | 44.78 | 0 |
| C | 24/12/01 | 38 | 870 | 14080.00 | 14800.24 | 2816.00 | 0.00 | 2816.00 | 1110.36 | 1705.64 | 144.78 | 0 |
| | | 39 | | | | | | | | | | |

The events outlined above can apply equally to an employee who is with the same employer for one or more years, or who joined the employer during the year. If other situations arise and you are not sure how to complete the TDC please contact your local tax office or the Central Telephone Information Office at (01) 878 0000.

# Pay-Related Social Insurance

## (PRSI)

PRSI Contributions are payable in respect of full-time employees and part-time employees. They are made up of Social Insurance Contribution and Health Contribution.

The rate at which PRSI is calculated, is determined by the PRSI Class of the individual employee. Full details of the main contribution classes and examples of both the employees covered by each class and the appropriate rates, are contained in leaflet SW14 which is available from the Department of Social, Community and Family Affairs.

**Private Sector Employments are generally liable under Class A.** This class is further sub-divided by reference to the earnings in any week and whether the individual has a Medical Card or is getting certain Social Welfare payments (i.e. Widows/Widowers Contributory Pension). An employer requiring advice should contact:

*Department of Social, Community and Family Affairs*
*Information Services*
*Aras Mhic Dhiarmada*
*Store St*
*Dublin 1.*

Tel: (01) 7043274.

[Some examples of the calculation of PRSI are shown on page 26.]

## Entries to be made on the TDC at the start and during the year

**Column C:** The employee's weekly PRSI contribution should be entered here.

**Column D:** The total weekly PRSI contribution should be entered here.

**Column E:** Enter the contribution class of the employee. There should always be an entry in this box. If there is a change of contribution class, the new class should be entered in this column and the date of change recorded in Box B4. Weeks of insurable employment should be recorded by placing a tick (3) in the appropriate space for each week in which insurable employment occurs. This is necessary to complete Box F2 at the end of the tax year.

## New TDC is issued by Tax Office

When a new TDC is received the entries at Columns C and D should be totalled and the totals recorded at Columns C and D in the line of the new TDC immediately above the week in which the TDC is to be used. The entries in Column E of the old TDC should be brought forward to the new TDC. The details in the coded Boxes C2, B4 and C3 at the foot of the old TDC should also be brought forward to the corresponding coded boxes on the new TDC.

## Entries to be made at the end of the Tax Year

The coded boxes at the bottom of the TDC must be completed in full at the end of the tax year. The entries should show PRSI details in respect of the current employment only.

**Box K3:** Enter the total of Column C.

**Box K4:** Enter the total of Column D.

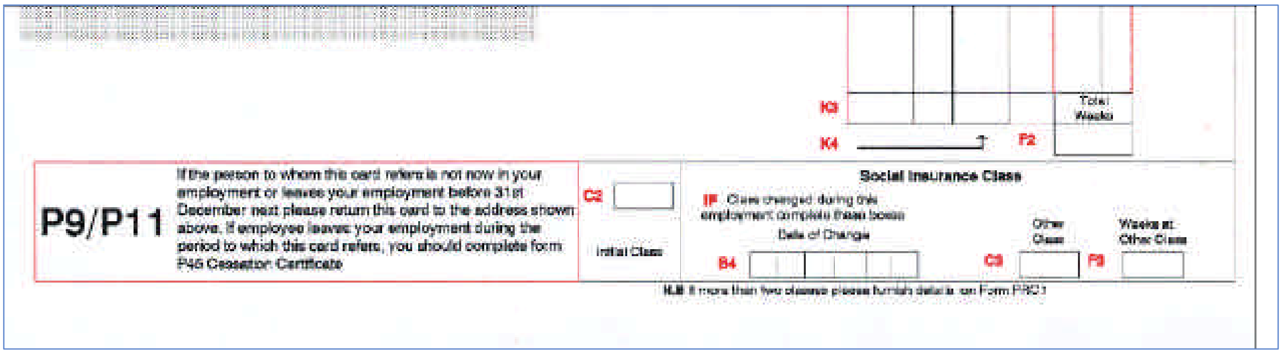
**Box F2:** Enter the total number of weeks of insurable employment

**Box C2:** Enter the initial PRSI class used.

**Box C3:** If the class changed during the employment enter the PRSI class at the end of the year.

**Box F3:** If there was a change of contribution class the total number of weeks of insurable employment in the new class should be entered. If there are more than two classes during the year the details should be furnished to the Department of Social, Community and Family Affairs on a Form PRCI. The Form PRC1 is automatically issued with the end of year Form P35.

**Box B4:** If the PRSI Class changed during the employment enter the date of change.




### Note

It is essential that special care is taken in completing Boxes F2 and F3 as these entries will represent the employee's insurance record on which his/her entitlement to benefit will depend.

## PRSI Examples

As the bulk of private sector employees will be classified under PRSI Class A the following examples of weekly income are confined to that class. It must be remembered that the PRSI percentage rate may change when the cumulative earnings for a year exceed certain limits. Please refer to the Department of Social, Community and Family Affairs leaflet SW14.These charts are used for illustration purposes only and refer to the short tax 'year "starting on 6 April 2001 and ending on 31 December 2001. Details of current PRSI rates are advised to employers annually before the start of the tax year or can be obtained from the Department of Social, Community and Family Affairs.

The figures in the columns marked *1 and *2 should be recorded in columns C and D of the TDC.

| PRSI Rates Chart - Class A - General | | | | |
|---|---|---|---|---|
| Weekly Income | PRSI Class | Employee PRSI | | Employer PRSI percentage |
| | | on first £100 percentage | on Balance percentage | |
| £30 - £226 | AO | 0% | 0% | 8.5% |
| £226.01 to £280 | AX | 0% | 4% | 8.5% |
| Over £280 | A1 | 2% | 6.0 % | 12.0% |

## Examples using different levels of income.

| Weekly Income | PRSI Class | Employee PRSI | | | Employer PRSI | TotaL PRSI *2 |
|---|---|---|---|---|---|---|
| | | on first £100 | on Balance | Total *1 | | |
| £ | | £ | £ | £ | £ | £ |
| 90 | AO | - | - | - | 7.65 | 7.65 |
| 190 | AO | - | - | - | 16.15 | 16.15 |
| 220 | AO | - | - | - | 18.70 | 18.70 |
| 250 | AX | - | 6.00 | 6.00 | 21.25 | 27.25 |
| 300 | A1 | 2.00 | 12.00 | 14.00 | 36.00 | 50.00 |
| 400 | A1 | 2.00 | 18.00 | 20.00 | 48.00 | 68.00 |
| 450 | A1 | 2.00 | 21.00 | 23.00 | 54.00 | 77.00 |

| PRSI Rates Chart - Class A - Medical Card Holders, Widows, Etc. | | | | |
|---|---|---|---|---|
| Weekly Income | PRSI Class | Employee PRSI | | Employer PRSI percentage |
| | | on first £100 percentage | on Balance percentage | |
| £226.01 - £280 | AX | 0.00% | 4.00% | 8.5% |
| Over £280 | A2 | 0.00% | 4.00% | 12.0% |

## Examples using different levels of income.

| Weekly Income | PRSI Class | Employee PRSI | | | Employer PRSI | TotaL PRSI *2 |
|---|---|---|---|---|---|---|
| | | on first £100 | on Balance | Total *1 | | |
| £ | | £ | £ | £ | £ | £ |
| 250 | AX | - | 6.00 | 6.00 | 21.25 | 27.25 |
| 300 | A2 | - | 8.00 | 8.00 | 36.00 | 44.00 |
| 400 | A2 | - | 12.00 | 12.00 | 48.00 | 60.00 |

*1 This amount should be entered in Column C of the TDC

*2 This amount should be entered in Column D of the TDC.

# Payments to the Collector-General

### When is Tax and PRSI paid to the Collector-General?

The total tax deducted and the total PRSI contributions (the amount deducted from pay plus the amount payable by the employer) should be remitted to the Collector-General **within 9 days** from the end of the month in which the deductions were made i.e. between **5th and 14th** of the calendar month up to **5 December 2001**. The period from 6 December to 31 Decemeber 2001 will be treated as an income tax "month" to coincide with the introduction of the calendar year on 1 January 2002. Remittances should be made between **1st** and **14th** of the calendar month beginning with month ended 31 December 2001.

Each month a Form P30 Bank Giro/Payslip is issued by the Collector-General on which the Employer's name, address, registration number and the relevant month are computer printed. Only forms showing the correct details should be used, otherwise payments made may not be correctly credited. The figures for total tax and total PRSI contributions should be entered on the form in addition to the gross total which will equal the amount of the payment. Where there is no PAYE/PRSI liability for a particular month, the Form P30 should be returned marked Nil.

### How is the payment made?

Payment may be made by any of the following methods:

- **At any Bank:** by lodging the total amount due with the completed Form P30 Bank Giro/Payslip at any bank
- **By Post:** by sending the total amount due with the completed Form P30 Bank Giro/Payslip to The Office of the Collector-General, Sarsfield House, Francis Street, Limerick.
- **By Direct Debit:** Monthly payment by direct debit involves less paperwork as monthly returns are not required. As payments are made on time, any liability for interest on such payments is avoided.

### Can I make my Returns annually?

YES. You can arrange to pay your PAYE/PRSI through the direct debit scheme and make an annual return/declaration of liability on the Form P35. A single direct debit instruction can be used for PAYE/PRSI and VAT. There is a more flexible direct debit option for seasonal business, which allows for payment of varying amounts each month to coincide with the seasonal nature of the business. Information leaflet CG 7 (Direct Debit - PAYE/PRSI & VAT) and leaflet CG 8 (Direct Debit - PAYE/PRSI & VAT for seasonal business) give further information and each leaflet includes an application form for direct debit.

These leaflets, application forms and, if necessary, further information may be obtained by calling (01) 6747500 and asking for the Direct Debit Section, by writing to the Office of the Collector-General, Apollo House, Tara Street, Dublin 2 or from your local tax office. In addition you can get further information by Email at: **CG-general@revenue.irlgov.ie.**

### What happens where people are only employed seasonally?

An employer whose business normally operates for some months of the year only should advise the Collector-General as to the months for which there will be employees. Forms P30 will only be issued for those months. The Direct Debit option is available for seasonal business - see above.

## End of Year Duties

### What Duties arise at the end of the Tax Year?

Once proper records have been maintained during the year, completion of the end of year returns is relatively straightforward. It essentially involves transferring details from the TDCs to the Form P35 and Form(s) P60. The Form P35 must be returned before **21 May** to avoid penalties.

**At the end of the short tax "year" (ending on 31 December 2001) and subsequent tax years the Form P35 should be returned on or before 15 February.**

In summary, you must:

- Total and complete the bottom of each TDC or alternative payroll record for each employee. The final figures of Pay, Tax and PRSI entered in the coded boxes at the bottom of the TDC should be the totals for that employee for all periods of employment with you during that tax year.
- Complete forms P35, P35L and P35L/T (see below). All entries for PAYE and PRSI on the P35L and P35L/T should be added together and the totals transferred to the P35 Declaration.
- Calculate any PAYE or PRSI outstanding and send the payment with the completed P35 forms to the Employer's P35 Unit, Collector General's Office, Government Offices, Nenagh, Co. Tipperary.
- Give a Form P60 to each employee who is employed at the end of the tax year i.e. on 31 December 2001 for the short tax "year" and each subsequent year on 31 December. You will already have given a Form P45 to those employees who left employment during the year.

### What are Forms P35, P35L and P35L/T?

These are end of year forms, which are automatically issued by the Collector-General near the end of the tax year.

**Form P35** is a declaration that the details being returned are correct. It is issued to all employers on record irrespective of the type of payroll system they use. This is the form on which the employer declares the overall amount of PAYE/PRSI deducted from his/her employees during the tax year. It is important to ensure that all entries are legible and that the form is signed in the relevant space.

Employers who use TDCs or other manual system approved by Revenue will also receive Forms P35L and P35L/T. These are the forms where details of employees pay, PAYE and PRSI must be recorded.

**Form P35L** is pre-printed with the name and PPS number of each employee. Simply transfer the details from the coded boxes of the TDC to the corresponding coded boxes on this form. If you had an employee for more than one period during the tax year, enter the aggregate for all periods under each heading on the P35L. If any employee's name and PPS number are omitted from the list provided they should be added to the list.

**Form P35L/T** must be completed for any employee for whom the PPS number is not known. The employee's private address, date of birth and mother's birth surname must be shown on this form. This is to ensure that the correct PPS number is traced by Revenue.

Employers with computer payrolls will receive the appropriate computer stationery.

**Form P35 on Diskette**

Most computer payroll systems can now produce the P35 details on diskette and it is usually just a case of selecting the diskette option from the menu. The benefits of making a return on diskette are:

- Less form filling
- Tax Credits and Standard Rate Cut-Off Point details for your employees can be supplied on diskette in following years
- Less time required making the return.

Detailed advice on the diskette system can be obtained by telephoning 1890 254565 ext. 63172.

### *Notes*

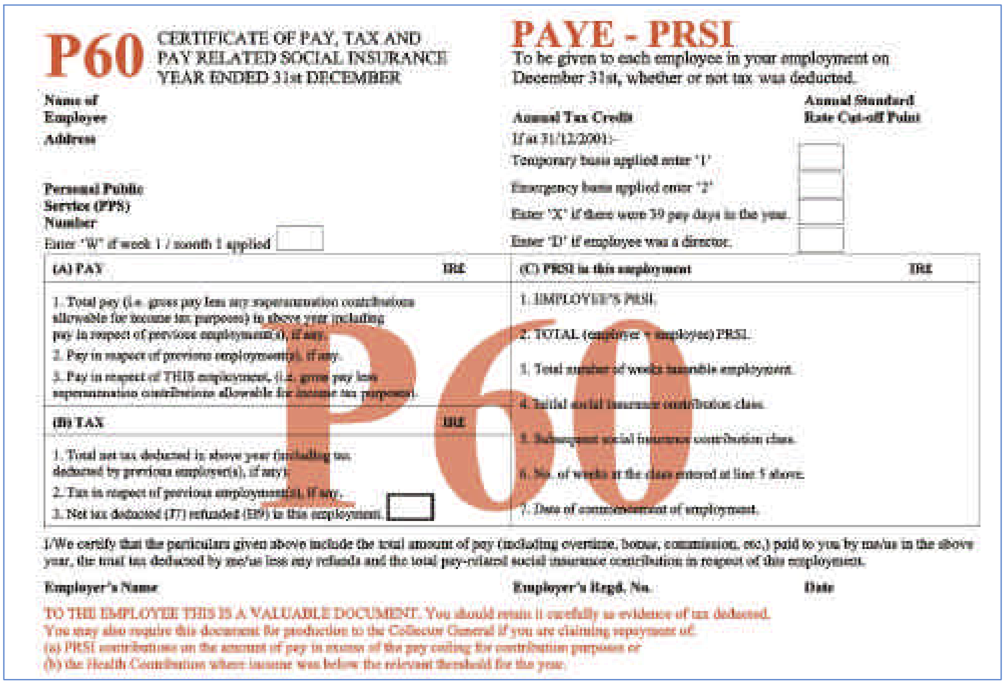
**Every person who was employed at any time during the tax year even if no tax was deducted must be returned on the P35. All documents relating to Pay, Tax and PRSI must be retained by an employer for 6 years, after the end of a tax year.**

**Forms P30/P35/P35L can be filed through the Revenue On-Line Service (ROS). More information is available on our website at www.revenue.ie or www.ros.ie**

## What is a Form P60?

A Form P60 is a form issued by an employer to an employee certifying details of the employee's Pay, Tax and PRSI contributions for the tax year. The Form P60 must be given to each employee who is in your employment at 31 December 2001 for the short tax "year" and each subsequent 31 December. This should be done before 15 February 2002 and before 15 February for each subsequent tax year. The figures on the Form P60 should be copied from the TDC. Blank forms P60, either manual or computer format depending on the type of payroll system you are using, are issued to employers by Revenue each year.

A sample of the Form P60 is reproduced here.



P60 CERTIFICATE OF PAY, TAX AND PAY RELATED SOCIAL INSURANCE YEAR ENDED 31st DECEMBER

PAYE - PRSI
To be given to each employee in your employment on December 31st, whether or not tax was deducted.

Name of Employee
Address

Annual Tax Credit
Annual Standard Rate Cut-off Point

If at 31/12/2001:-
Temporary basis applied enter '1'
Emergency basis applied enter '2'
Enter 'X' if there were 39 pay days in the year.
Enter 'D' if employee was a director.

Personal Public Service (PPS) Number
Enter 'W' if week 1 / month 1 applied

(A) PAY — IR£
1. Total pay (i.e. gross pay less any superannuation contributions allowable for income tax purposes) in above year including pay in respect of previous employment(s), if any.
2. Pay in respect of previous employment(s), if any.
3. Pay in respect of THIS employment, (i.e. gross pay less superannuation contributions allowable for income tax purposes).

(B) TAX — IR£
1. Total net tax deducted in above year (including tax deducted by previous employer(s), if any).
2. Tax in respect of previous employment(s), if any.
3. Net tax deducted (T?) refunded (R?) in this employment.

(C) PRSI in this employment — IR£
1. EMPLOYEE'S PRSI.
2. TOTAL (employer + employee) PRSI.
3. Total number of weeks insurable employment.
4. Initial social insurance contribution class.
5. Subsequent social insurance contribution class.
6. No. of weeks at the class entered at line 5 above.
7. Date of commencement of employment.

I/We certify that the particulars given above include the total amount of pay (including overtime, bonus, commission, etc.) paid to you by me/us in the above year, the total tax deducted by me/us less any refunds and the total pay-related social insurance contribution in respect of this employment.

Employer's Name — Employer's Regd. No. — Date

TO THE EMPLOYEE THIS IS A VALUABLE DOCUMENT. You should retain it carefully as evidence of tax deducted.
You may also require this document for production to the Collector General if you are claiming repayment of:
(a) PRSI contributions on the amount of pay in excess of the pay ceiling for contribution purposes or
(b) the Health Contribution where income was below the relevant threshold for the year.

P60 stationery is issued automatically to employers before the end of the tax year. The tax year to which it refers is pre-printed on the P60.

# Appendix I

## List of Tax Offices and other useful addresses

| Inspector of Taxes | Dublin Area | Area Code | Tel. | |
|---|---|---|---|---|
| Central Revenue Information Office | Cathedral Street,<br>Off Upper O'Connell Street,<br>Dublin 1 | | Personal Callers only | |
| Tallaght Revenue Information Office | Level 2, The Square, Tallaght, Dublin 24 | | Personal Callers only | |
| Revenue Information Office | 85/93 Lower Mount Street, Dublin 2 | | Personal Callers only | |
| Central Telephone Information Office | Telephone Service | (01) | 878 0000 | |
| Revenue Forms & Leaflets Service | Telephone Service | (01) | 878 0100 | |
| Taxes Central Registration Office | Arus Brugha,<br>9/15 Upper O'Connell Street,<br>Dublin 1 | (01) | 8655000 | |
| Revenue On-Line Service<br>(ROS) Helpline | Trident House,<br>Blackrock, Co. Dublin | (01) | 1890 201 106 | |

| Inspector of Taxes | Provincial Districts | Area Code | Tel. | Fax. |
|---|---|---|---|---|
| Athlone | Government Offices, Pearse Street, Athlone. | (0902) | 21800 | 92699 |
| Castlebar | Michael Davitt House, Castlebar. | (094) | 37000 | 24221 |
| Cork | Government Offices, Sullivans Quay, Cork | (021) | 4325000 | 4962141 |
| Dundalk | Earl House, Earl Street, Dundalk | (042) | 9353700 | 9334609 |
| Galway | Hibernian House, Eyre Square, Galway | (091) | 536000 | 563987 |
| Kilkenny | Government Offices, Hebron Road, Kilkenny | (056) | 60700 | 60710 |
| Letterkenny | High Road, Letterkenny | (074) | 69400 | 22357 |
| Limerick | River House, Charlotte Quay, Limerick | (061) | 212700 | 417863 |
| Sligo | Government Offices, Cranmore Road, Sligo | (071) | 48600 | 43987 |
| Thurles | Government Offices, Stradavoher, Thurles | (0504) | 28700 | 21475 |
| Tralee | Government Offices, Spa Road, Tralee | (066) | 7183100 | 21895 |
| Waterford | Government Offices, The Glen, Waterford. | (051) | 317200 | 877483 |
| Wexford | Government Offices, Anne Street, Wexford | (053) | 63300 | 47207 |
| **Information on Direct Debit:**<br>Office of the Collector-General | Apollo House, Tara Street, Dublin 2 | (01) | 6747500 | |
| Employers P35 Unit | Government Offices,<br>Nenagh,<br>Co. Tipperary.<br>Dublin Callers | 1890<br>(067)<br>(01) | 254565<br>33533<br>677 4211 | |
| **PRSI queries**<br>Department of Social, Community and Family Affairs | Áras Mhic Dhiarmada,<br>Store Street,<br>Dublin 1. | (01) | 7043274 | |

# Appendix II

## Commonly used Forms and Booklets

### 1. Forms

| | |
|---|---|
| P13/14 | Emergency Card/Temporary Tax Deduction Card. |
| P45 | A Certificate given to an employee when he/she is leaving an employment. |
| P50 | Employee's application to the tax office for refund during unemployment. |
| 12A | Form to be completed by an employee who was not previously employed in the State. This should only be completed and sent to the tax office, **after** the employee has been allocated a PPS number, by the Dept. of Social Community and Family Affairs. |
| P30 | Bank Giro-Payslip. Employer's monthly remittance form for PAYE and PRSI contributions. |
| P35 | Employer's annual declaration of liability for PAYE and PRSI contributions. |
| P35L & P35L/T | Employer's annual return of Pay, Tax and PRSI contributions in respect of each employee. |
| P60 | Employee's certificate of Pay, Tax and PRSI contributions for the year. |
| Leaflet SW14 | Department of Social Community and Family Affairs annual rates of contributions |

### 2. Other Material

**Comprehensive range of Income Tax Information Leaflets -** from Revenue and from most public libraries.

**Employer's Guide to PRSI** - from the Department of Social, Community and Family Affairs.

**PRSI Ready Reckoner -** from the Department of Social, Community and Family Affairs.

**Revenue and the Euro - a business guide** - from Revenue.

Supplies of all Revenue forms and leaflets can be obtained by phoning the Revenue Forms & Leaflets Service at (01) 878 0100 (available 24 hours a day, 7 days a week), from any tax office or from Revenue's Internet site at www.revenue.ie.

## Dates to be noted

| | |
|---|---|
| 6 April | Start of the short tax "year". |
| I January | Start of the tax year from 1 January 2002 and subsequent years |
| 31 December | End of the short tax "year" and subsequent tax years |
| 15 February | Date on which P60 must be given to an employee for the short tax "year" and subsequent tax years. |
| 15 February | Due date for submission of Form P35 for the short tax "year" and subsequent years. |
| 14th day of each month: | Date by which the monthly P30s and payments must be made. |

*This booklet does not attempt to cover every issue, which can arise in relation to PAYE/PRSI, nor does it aim to give an interpretation of the legislation involved. If you find that this booklet does not answer all of your questions or if you have any additional concerns, please contact your tax office or the Central Telephone Information Office at (01) 878 0000.*

Revenue

March 2001