Human Resources

Employee Payroll FAQ

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SQUIRES GILBRIDE
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Employee Payroll FAQ

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1. What should I do if I am commencing employment in Ireland for the first time?
In order to work in Ireland and be taxed at the correct rates, an individual must have a valid Personal Public Service (PPS) number.

If you have just moved to Ireland, you must complete a Form REG1 and present the form in person to the Department of Social Protection. Through this registration, you will obtain your PPS number which should be provided to your employer. You will then need to apply for a Tax Credit Certificate by completing a Form 12A and submitting to the Revenue Commissioners. The individual must complete and sign the form 12A form themselves but will require specific details from their employer such as the Employer's Tax Registration number.

This should be completed as soon as possible to reduce any exposure to Emergency Tax. Emergency tax is dealt with in greater detail further on in this document.

2. What should I do if I am moving employment?
When moving employment, an employee should request a P45 from their previous employer on leaving the job.

On commencing their new employment, the employee should provide the new employer with the P45. The new employer will register you as a new employee and this will ensure that you will be given the correct tax credits by the Revenue Commissioners.

Rates of Payroll Taxes and Deductions

Income Tax	Standard Rate	20%
	Higher Rate	41%
USC	First €10,036 per annum	2%
	Next €5,980 per annum	4%
	Above €16,016 per annum	7%
PRSI	Standard Rate	4%

Standard Rate Cut-Off Points

Single	€32,800
Married	€41,800 + €23,800 (€65,600 maximum)

Tax Credits

Single	€1,650
Married	€3,300
PAYE	€1,650

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3. What are the tax rates, tax bands and tax credits?
Each employee is entitled to an annual Personal Tax Credit of €1,650, a PAYE tax credit of €1,650 and a Standard Rate Cut-Off Point (SRCOP) of €32,800.

A tax credit is used by an employee to reduce their tax liability.

Any income earned below an individual's SRCOP is taxed at 20%.

Any income that exceeds that SRCOP is taxed at 41%.

For example, an individual (who is not married) earning €40,000 per annum is taxed at 20% on €32,800 with the excess of €7,200 being taxed at 41%. This equates to gross tax liability of €9,512. When the employee's tax credits are applied (total €3,300) the employee's actual tax liability is reduced to €6,212 (€9,512 less €3,300).

Payroll Taxes

Income Tax	Income tax is charged on all employment income arising in Ireland. As an employee, income tax is paid via the PAYE (Pay as you Earn) System. The income tax is deducted by your employer through your payslip and the employer then pays the income tax across to the Revenue Commissioners on your behalf.
USC	USC (Universal Social Charge) is a tax payable by employees on gross income. USC is collected through the payroll system like income tax.
PRSI	PRSI (Pay Related Social Insurance) is Ireland's national insurance. Each employee is assigned a specific class and this determines the rates of PRSI applicable. PRSI is collected through the payroll system like income tax.

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Payroll Taxes

Weeks of Employment	Tax Credit	SRCOP	Tax Rate
Week 1 - 4	Single Personal	Single Personal	20%
Week 5 - 8	Nil	Single Personal	20%
Week 9 onwards	Nil	Nil	41%

4. What is Emergency Tax?

Emergency Tax must be implemented by an employer when:

- The employer has not received a Tax Credit Certificate for the current year or a Form P45 from the previous employment, or
- The employee has provided a completed P45 indicating that the emergency basis applies, or
- The employee has provided a completed P45 without a PPS number, or does not have a PPS number.

Emergency Tax is calculated on the employee's gross pay but different rates are applicable depending on the following situations:

1. Where a new employee does not provide an employer with his/her PPS number, the employee is subject to the higher rate of tax with no tax credit or SRCOP.

2. Where an employer has received a valid PPS number but has not received either a Tax Credit Certificate for the current year or a Form P45 from the previous employment, the normal rules of Emergency Tax apply.

5. What happens if my tax credits change during the year?

If your tax credits change during the year, for whatever reason, the Revenue Commissioners will inform your employer of the updated tax credits. Employer records will be updated as part of the next payroll process.

If an employee wishes to query their tax credits or amend their tax credits, they have to contact

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the Revenue Commissioners directly on 1890 333 425. Employers cannot deal with the Revenue Commissioners on behalf of an employee.

6. What is split year and who does it apply to?
Split year treatment applies to certain employees in the year of arrival to Ireland or in the year of departure from Ireland. The treatment is only applicable to the individual's employment income.

In the year of arrival, an individual must not have been resident in Ireland in the previous year and satisfy the Revenue Commissioners that he/she will be resident in Ireland in the following year.

In the year of departure, an individual must satisfy the Revenue Commissioners that he/she is leaving the country and will not be resident in Ireland the following year.

If the individual qualifies for the split year treatment then tax relief is granted on any potential Irish tax liability on employment income earned outside Ireland; before or after leaving Ireland.

For example, if an individual works in Ireland until a certain time in the year and decides to leave; that individual is not liable to Irish income tax on any employment income earned outside Ireland after the date of departure.

Similarly when an individual arrives to Ireland, any income earned in an employment before the point of arrival is disregarded by the Revenue Commissioners and is not taxable in Ireland.

7. When does the tax year start?
The tax year in Ireland is the calendar year, 1 January – 31 December.

8. When do I start to pay income tax?
Once you commence an employment in Ireland, you will be subject to income tax. However, the income tax on employment income is collected through a PAYE (Pay As You Earn) system therefore you will receive your pay after the deduction of the relevant income tax, USC and PRSI.

It is then the obligation of your employer to pay the taxes and social insurances deducted to the Revenue Commissioners.

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9. What do I pay tax on?
Income tax is charged on salaries, cash allowances and non-cash benefits (BIK) provided by and employer to an employee.

Salaries include the basic salary along with any bonuses earned.

Cash allowances include shift allowances, overtime, holiday money, cost of living allowances etc.

Non-cash benefits are more generally referred to as BIK (Benefits-In-Kind). The most common BIK is health insurance.

10. How are overtime, bonuses etc. taxed?
Overtime and bonuses are taxed in the same way as employee's basic salary is taxed.

11. Do I pay tax on everything I earn?
Yes. All income earned through an employment in Ireland is taxable.

12. How is tax calculated differently when married?
When a couple are married they are jointly assessed by the Revenue Commissioners therefore they can transfer their tax credits between each other.

For example in 2014; a married couple are entitled to a married tax credit of €3,300 and if both spouses are working as employees they are also entitled to a PAYE tax credit each of €1,650.

This total tax credit of €6,600 can be split between the spouses in whichever way the individuals wish to do so. This must be communicated to the Revenue Commissioners. If the Revenue Commissioners are not advised of an alternative split, each spouse will be allocated €3,300 automatically.

Similarly, a married couple will be entitled to an increased Standard Rate Cut-Off Point. As outlined previously, an individual's Standard Rate Cut-Off Point is €32,800.

If both spouses work, the Standard Rate Cut-Off Point for the married couple is €65,600 (€32,800*2).

If only one spouse works, the Standard Rate Cut-Off Point is €41,800.

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13. How is tax calculated when I am married and my spouse does not work?
The same rules apply to personal tax credits whether or not one or both spouses work.

The couple are still jointly assessed by the Revenue Commissioners.

The individual working is still entitled to a married tax credit of €3,300 but the married couple are only entitled to one PAYE tax credit of €1,650.

The individual working will also be entitled to an increased Standard Rate Cut-Off Point. The individual's Standard Rate Cut-Off Point is increased to €41,800.

14. How much USC is payable?
If an individual's income exceeds the threshold of €10,036 per annum, he/she is chargeable to USC.

The rates of USC charged are as follows:

- The first €10,036 - 2%
- The next €5,980 - 4%
- Above €16,016 - 7%

15. Can I claim tax relief on my rented accommodation?
In order to be able to claim a rental tax credit, the individual must have been renting a property in Ireland on 7 December 2010. An individual cannot apply for this relief if they started renting in 2014.

If an individual was renting on 7 December 2010 and are renting in 2014 then they are entitled to a rental tax credit of €160. Once claimed, this relief will be included in the employee's Tax Credit Certificate and relief will be processed through payroll.

In order to claim the rental tax credit, the employee must complete Form Rent 1 and submit to the Revenue Commissioners.

16. Can I claim tax relief on my Health Insurance plan?
If your employer pays your health insurance on your behalf this is treated as benefit in kind (BIK). You will be subject to tax, USC and PRSI on the gross amount of the health insurance Premium. You are however entitled to tax relief at 20%

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on gross premium that you are assessed to BIK on. This relief is provided through an upwards adjustment to your tax credits and is passed on to you through the payroll system.

In order to have your tax credits amended you will need to give details of your health insurance premiums to the Revenue Commissioners. You can do this by calling 1890 333 425 but they will also ask you to submit a letter of confirmation which should be prepared by your employer.

17. Can I claim tax relief on my pension contributions?

Pension contributions made by employees to occupational pension schemes are granted relief through the payroll system.

The payments are automatically deducted by your employer and the relief is then received through the payroll system.

18. Can I claim tax relief on my tuition fees?

An individual can claim tax relief on certain approval fees paid for Third Level courses in respect of any person as long as he or she has paid the qualifying fees.

Qualifying fees mean tuition fees but not examination fees, registration fees or administration fees, for an approved course of an approved college.
(http://www.revenue.ie/en/about/publications/bodies-qualify-tax-relief.html#courses)

In 2014, tax relief is available at 20% subject to a maximum limit of €7,000. In order to be eligible, the fees must exceed €2,750 for a full time student (€1,375 for a part time student).

In order to claim the tax relief for tuition fees, you will need to contact the Revenue Commissioners (1890 333 425) and inform them of the details of the course and fees paid. This relief is provided through an upwards adjustment to your tax credits and is passed on to you through the payroll system.

19. Can I claim tax relief on my medical expenses?

Any individual can claim tax relief on medical costs paid by them. However, an individual cannot claim for tax relief on costs already

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reimbursed by their health Insurance provider. This relief is not provided through the payroll system but in the form of a refund by the Revenue Commissioners.

In order to claim the relief, an individual must complete a Form Med 1 and submit it to the Revenue Commissioners.

In the case of dental expenses, the form to be used is a Form Med 2. Tax relief can be claimed for non-routine dental care, for example surgical extraction of impacted wisdom teeth.

A claim for medical expenses must be made within 4 years after the end of the tax year to which the claim relates.

The relief is given to the individual at 20%.

20. Can I claim tax relief on Permanent Health Insurance i.e. Life Insurance?
Tax relief is available for premiums paid in a tax year to a Revenue approved Permanent Health Insurance scheme.

The individual can get a relief at his/her marginal rate of tax (up to 41%).

21. What taxes do I pay on RSUs (Restricted Stock Units)?
Income tax is charged on the date that the RSU vests however there is no charge to income tax at the date of the grant of the RSU.

The value of the RSU is chargeable to income tax, USC and PRSI under the PAYE system therefore the employer will process this through payroll.

If the individual decides to sell the shares in the future, Capital Gains Tax will apply on any gain arising. The gain for Capital Gains Tax purposes is the difference between the sales proceeds of the RSU and the value of the RSU at the date of vesting. The current rate for Capital Gains Tax is 33%.