Pay As You Earn taxes in Ireland

Your Guide to the PAYE Tax System

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Irish Taxes - Intro

If you're employed under the PAYE (Pay As You Earn) system in Ireland, then you're taxable on your income and will pay PAYE, PRSI and USC.

There are a number of different taxes imposed on Irish citizens and the amount you pay depends on your salary.

Revenue was set up in 1923 by the Irish Government to calculate taxes and duties that are due.

The majority of people will have dealings with Revenue at some point either because of an overpayment of PAYE or an obligation to file a tax return.

PAYE defined

Pay As You Earn Tax (PAYE) is charged on the basis of your gross income. It's calculated based on your yearly tax credits and income tax rate band.

IT CAN BE CALCULATED IN 3 WAYS:

1. Cumulative basis
In this instance, your yearly tax credits and income tax rate bands are evenly distributed over the course of the tax year.

2. Non-Cumulative basis
This means your annual tax credits and income tax rate bands come into effect from the date of the Tax Credit Certificate (TCC) and don't go back to the start of the tax year.

3. Month One/Week One & Emergency Basis
Tax may be may be deducted on a week 1 or month 1 basis or on an emergency tax rate basis.

PRSI defined

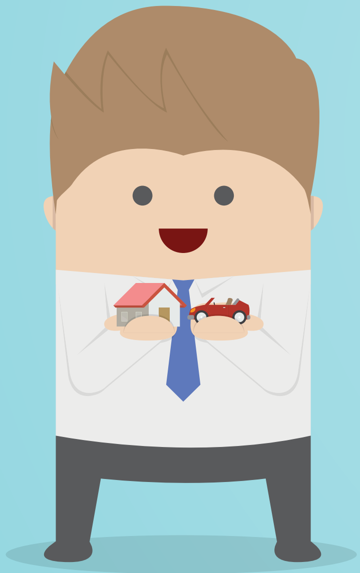
Pay Related Social Insurance (PRSI) is paid by employees aged between 16 and 66 years with very few exceptions.

Your employer deducts this from your pay and makes PRSI payments on your behalf.

It's calculated as a percentage of your earnings and is allocated to the Social Insurance Fund.

These contributions may give you an entitlement to claim monetary benefits such as Jobseeker's Benefit, Illness Benefit, State Pension, etc.

USC defined



The Universal Social Charge (USC) replaced the health and income levy in January 2011 and you'll pay this if your income is more than €12,012 per year.

USC is taxable on gross income (this also includes any additional pay such as Benefit-in-Kind and is calculated before any relief for certain capital allowances).

In some cases, there may be an overpayment of USC, which Taxback.com can check for when you apply for your PAYE tax refund.

Your Payslip

CONFUSED BY ALL THOSE TERMS ON YOUR PAYE PAYSLIP?

We've listed the most common ones and their meanings on the next page

1. PPS Number: A number used by the Revenue Authorities to identify you.

2. PRSI Class: This dictates the amount of PRSI contributions you pay.

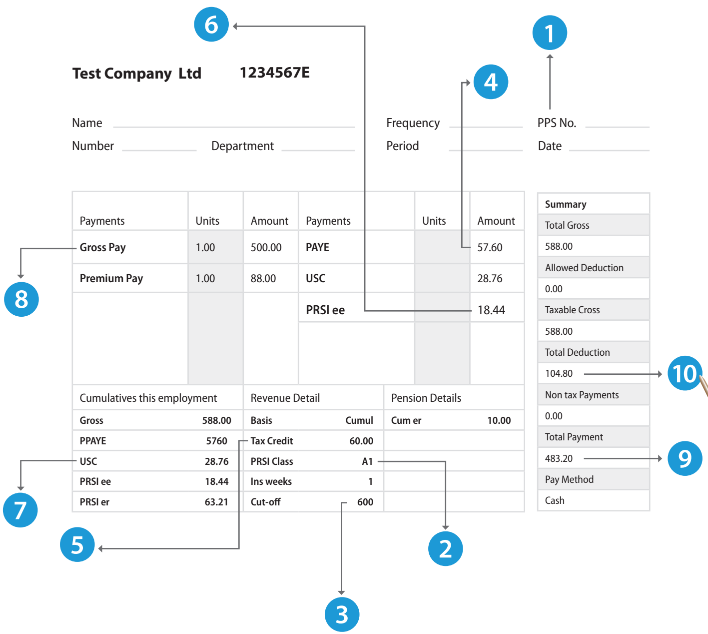
3. Weekly/Monthly Cut Off: Your gross pay is taxed at the lower rate up to this point. The remaining balance of your gross pay is taxed at the higher rate.

4. PAYE: The amount of income tax that is deducted from your gross pay.

5. Tax Credit: Tax Credits that are used to reduce the amount of PAYE that you pay.

6. PRSI: There is also employer PRSI contributions your employer is required to pay over to the authorities.

Sample PAYE payslip



7. USC: The Universal Social Charge is a tax that has replaced the income levy and health levy.

8. Gross Pay: The total amount you're paid before any deductions are made.

9. Net Pay
The total amount you're paid after tax, PRSI, and other deductions.

10. Total Deds: The total amount of money deducted in that pay period.

Reliefs Available

If you're a PAYE employee, you may be able claim tax back on certain expenses under qualifying conditions.

Tip: Always keep your receipts!

RELIEFS AVAILABLE

- » **Health Expenses**
- » **Married couples / civil partnerships**
- » **Home Renovation Incentive (HRI)**
- » **Tuition Fees**
- » **And more**

Married couples

In some cases, it can be mutually beneficial to get hitched as married couples and civil partners may be able to transfer unused tax credits to each other; this is never a bad thing!

Being jointly assessed lets you transfer tax credits and standard rate cut-off points to suit your particular circumstances. In some cases, this could be beneficial to your tax position!

If you get married / enter a civil partnership, you should contact your local Revenue office with the date and your PPS numbers.

Taxes you can't reclaim

There are certain taxes that you can't claim back.

EXAMPLES INCLUDE:

» Motor Tax
» Property Tax
» Excise Duty

To find out exactly what you can and can't claim, contact Taxback.com or visit www.taxback.com/ireland

How is your tax calculated?

Each time you're paid, your employer applies PAYE and USC tax based on information from Revenue on your employee tax credit certificate.

If Revenue doesn't have up-to-date information on your personal circumstances (marital status, dependants, etc.), this could result in the incorrect allocation of tax bands and credits.

So for example, if you get married or enter into a civil partnership, you should inform Revenue as quickly as possible because you could end up paying more tax than you need to!

Underpayment of tax

An underpayment of tax could happen if you've been wrongly allocated tax credits. Revenue will seek reimbursement over the following year by making an adjustment to your tax credits.

WHAT DOES THAT MEAN?

Your take-home pay will be reduced until the underpayment is settled. If Revenue fails to notice underpayments for several years, you could be faced with a much higher tax bill.

WHAT CAN YOU DO?

If your tax credits are higher or lower than what they should be, request a copy of your tax credit certificate from Revenue and check if any adjustments should be made.

Overpayment of tax

If you're a PAYE worker - receptionist, nurse, teacher, etc. you may be entitled to a refund of some of the tax you paid during the year.

YOU COULD CLAIM IRISH TAX BACK IF:

- » **You were made redundant**
- » **You had a break in employment**
- » **You paid emergency tax**
- » **You went on maternity leave**
- » **And more**

If you think you've overpaid tax, you should visit **taxback.com/ireland**

Calculating your tax credits

When you get your next payslip, see what it says for your monthly / weekly tax credit and cut-off point. Multiply this by 12 or 52 to calculate your annual tax credit and cut-off point.

Every individual in PAYE employment is entitled to a PAYE credit of €1,650

Most common tax credits / cut-off points:

2016	CREDIT	CUT-OFF
Single person or married person both spouses working	**€3,300**	**€33,800**
Married person one spouse working (no dependants)	**€4,950**	**€42,800**
Married person one spouse working (with at least one child)	**€5,760**	**€42,800**

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If your tax credits are higher or lower than what they should be, request a copy of your tax credit certificate from Revenue as this should spell out any adjustments that should be made.

Useful info

- The Irish tax year runs from 1st January to 31st December
- Your P60 is the tax certificate you get from your employer in January
- You can go back 4 years for your Irish tax refund
- The average Irish tax refund is €880
- Most popular refund is medical expenses
- You can get a free refund estimate using Taxback.com's online tax calculator