

January 2011



A guide to PAYE for Employees

What is

PAYE



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As an employee your tax is taken from your pay by your employer. This is known as **PAYE** or **Pay As You Earn**.

PAYE ensures that the yearly amount of tax that you have to pay is collected evenly throughout the year on each payday.

How does your employer know how much tax to collect?

At the start of each year, Revenue sends your employer a notice that gives the necessary details needed to work out your correct tax. This notice includes any changes to tax that were made in the most recent Budget.

The details in the notice are based on the information about your personal circumstances that you gave to Revenue. When there is a change in your personal circumstances that affects the tax you pay - for example, if you get married, you need to tell Revenue. Revenue will then send your employer a new notice to calculate the new amount of tax you should be paying. A separate more detailed notice is sent to you.

How does Revenue look after your personal information?

We give your employer only the information needed to calculate the tax you pay. All other personal information you give Revenue remains confidential between you and Revenue.

Tax Credit Certificate

The certificate that shows your tax credits and rate band. This certificate is made available through numerous channels, by

- logging on to **PAYE Anytime** (you need to be registered with Revenue to use this service)
- by texting your PPS number and the word 'cert' to 51829
- ringing our 1890 LoCall service

P60

The certificate that your employer gives to you at the end of the year. It shows your pay, and the tax and PRSI deducted by your employer during the year.

P45

The form that your employer gives to you when you leave your job. It shows what you were paid and the tax and PRSI for the year up to your date of leaving.

Important
PAYE
documents



TAX CREDITS

reduce your tax

What are tax credits?

Tax credits are credits that you get based on your personal circumstances, e.g. single or married, and which are set against your income for the year. A tax credit reduces the tax you pay on your income. Some credits are fixed amounts, like the single or married person's credit; others depend on the amount you spend, like tuition fees.

Later in this booklet we show you the main tax credits. Full details of all tax credits are available on Revenue's website www.revenue.ie.

How do they work?

Under PAYE your tax credits are spread across the number of paydays you have in the year. This reduces the tax you pay every payday.

Tax credits reduce your tax

For example:

Mary is paid a weekly amount of	€ 600
Taxable at 20%	€ 120
Less weekly tax credits	€ 70
Tax to be paid this week	€ 50

Tax credits mean more money in your pocket!

Whether or not you work every week or month in the year, you will still be entitled to your full year's tax credits. For example, if you didn't start work until July, the tax credits you didn't use for the first half of the year will be carried forward and used on each following payday until the year ends.



TAX CREDITS

reduce your tax

What tax credits do I already have?

You can see what tax credits you already have by checking your tax credit certificate.

How do I claim tax credits?

If your personal circumstances entitle you to claim a tax credit, the easiest and fastest way to claim is to use **PAYE Anytime***, or alternatively contact your local Revenue office.

* See page 11 for further information.

Do I have to claim my tax credits every year?

In most cases, when you claim a tax credit Revenue automatically gives it every year. It will be shown on your tax credit certificate. However, if you are no longer eligible to claim the tax credit it is important that you contact Revenue.

Is there a time limit on claiming tax credits?

There is a four-year time limit for claiming tax credits. It is important that you claim in time or you could lose out.



The most common TAX CREDITS

- Single or Married
- Widowed and One-Parent Family
- Home Carer
- Incapacitated Child
- Dependent Relative
- PAYE
- Work-related expenses (such as uniforms)
- Age tax credit for 65 and over
- Rent paid to a private landlord
- Tuition fees



If you are aged 65 or over you might not have to pay tax on your deposit interest (interest you earn on your savings). Ask your bank, building society or credit union for more information.

Tax relief on mortgage payments and medical insurance

The tax relief for paying home mortgage interest is given directly to you by the bank or building society you borrow from. You do not have to claim this tax relief from Revenue and it does not appear on your tax credit certificate. Check with your bank or building society to make sure you are getting what you are due. The same arrangements are in place for medical insurance payments.

Did you pay any medical expenses during the year?

You may be due a tax refund!

If you paid medical or non-routine dental expenses during the year, **and you have paid tax in that year**, you can claim a tax refund.

To claim the refund:

- log on to www.revenue.ie and click **PAYE Anytime**, or
- fill in a form Med 1 and send it to your local Revenue office
See page 17 for contact details.

The form Med 1 is available from www.revenue.ie or from any Revenue office.

DON'T FORGET



TAX CREDIT CERTIFICATE

For the Year 1 January 2011 to 31 December 2011 and following years

Tax Credits	€
Personal Tax Credit	1650
PAYE Tax Credit	1650
Gross Tax Credits	3300
Net Tax Credits	3300

Tax Rate Bands	€
Rate Band 1	32800
The amount of your income taxable at 20%	32800

All income over **€32800** is taxable at **41%**

Allocation of your Tax Credits and Rate Bands (Subject to Rounding)

Employer	Tax Credits €			Tax Rate Bands €			
	Yearly	Monthly	Weekly	Rate Band	Yearly	Monthly	Weekly
Newsagent Limited	3300	275	63.47	20%	32800	2733.34	630.77

Your TAX CREDIT CERTIFICATE

You can get your tax credit certificate by:

- logging on to **PAYE Anytime**
- by texting your PPS number and the word 'cert' to 51829
- ringing our 1890 LoCall service

Your tax credit certificate shows the tax credits you are currently claiming and your rate band.

If there is a change in your personal circumstances that affects the tax you pay, you need to tell Revenue. This could happen, for example, if you started work in a job where you can claim work-related expenses for a uniform. Revenue will then send you a new tax credit certificate that includes the changes. Revenue will give your employer the details needed to deduct the correct tax from your pay.

Your TAX CREDIT CERTIFICATE

How is your tax calculated?

Here is an example of how the tax of a single person who is paid weekly is calculated:
(Example figures)

Gross pay			€675 per week
Rate Band			€630.77 weekly
Tax Calculation			
Rate Band	630.77 taxed @ 20%	=	126.15
Balance of pay	44.22 taxed @ 41%	=	18.13
Gross Tax figure			144.28
Less weekly Tax Credits			- 63.47
Tax you pay now reduced to			80.81

This example is for a person who is paid weekly.

If you are paid fortnightly or monthly the same principles will apply.



Universal Social Charge

USC

The Universal Social Charge (USC) comes into effect on 1 January 2011 and replaces the Health Levy (paid as part of your PRSI deductions) and Income Levy which are abolished from that date. The USC is a tax payable on gross income, including benefits from your employer, but before deducting your pension contributions. Your employer will deduct the USC from your earnings on a pay period by pay period basis.

The rates of the USC are as follows:

Income Thresholds Per Year	Rate of USC	Per Week	Per Month
Up to €10,036	2%	Up to €193	Up to €837
From €10,036.01 to €16,016	4%	From €193.01 to €308	From €837.01 to €1,335 inclusive
In excess of €16,016	7%	In excess of €308	In excess of €1,335

Persons aged 70 years and over, and *persons in possession of a Full Medical Card (regardless of age):

Income Thresholds Per Year	Rate of USC	Per Week	Per Month
Up to €10,036	2%	Up to €193	Up to €837
In excess of €10,036	4%	In excess of €193	In excess of €837

Universal Social Charge

USC



Employers will deduct the USC from payments they make to their employees on a pay period by pay period basis.

Who is exempt from paying the USC?

Individuals whose annual income does not exceed €4,004

Unlike the Income Levy, medical card holders are liable for the USC.

New USC Certificate

This is the certificate your employer will give you (with your P45) when you leave your job during the year. This certificate is your personal record of your USC deductions while in the employment. You should retain it carefully. It is not necessary to send this certificate to Revenue or to give it to your new employer.

* As a result of Finance Act 2011 individuals in possession of a full medical card will only pay Universal Social Charge at a maximum rate of 4% irrespective of the level of their income from employment/pension.

Full information on the USC can be found on www.revenue.ie



The quickest and easiest way to keep your tax up to date is to use **PAYE Anytime**.

PAYE Anytime is a secure internet system that lets you do business with Revenue electronically 365 days a year.

- You can**
- Claim a wide range of tax credits
 - Look at your own tax record
 - Request a review for the past 4 years
 - Claim a repayment for items such as medical expenses
 - Tell Revenue about any additional income.

- Benefits**
- This is quick, easy, free and secure
 - Immediate update of your tax credits
 - Faster repayments
 - Track the requests and information that you send to Revenue.

To use **PAYE Anytime**, you must register first. Registration is quick and easy.

How to register for **PAYE Anytime**

1. Log on to www.revenue.ie
2. Under the **PAYE Anytime** logo, click Register
3. Fill in your personal details, including your PPS number, your address and your contact details
4. Click 'Continue' to submit your details.

In a few days, you will receive your Revenue PIN in the post.

Then you can start using **PAYE Anytime**.



It is important not to give your **PAYE Anytime** details to anyone. Beware of bogus contacts as Revenue will never contact you to confirm such information. If you are in any doubt, please contact us immediately.

Remember your P45

When you leave a job, your employer gives you a form P45. This shows your pay, tax and PRSI for the year up to the day you leave. Your new employer needs this form to deduct the correct amount of tax.

If you do not give your new employer a P45, you may end up paying too much tax.

Your new employer will arrange to get a new tax credit certificate for you so that the correct tax continues to be deducted from your pay.

USC certificate

When you leave a job your employer will also give you a Universal Social Charge (USC) certificate which is your personal record of your USC deductions while in the employment. You should retain it carefully. It is not necessary to send this certificate to Revenue or to give it to your new employer.

What you need to know about **CHANGING JOBS**



If you are out of work **and have paid tax during the year**, you may be entitled to claim a tax refund.

When do I apply for a tax refund?

If you are unemployed, wait at least 4 weeks from the date you became unemployed.

If you have another taxable source of income, such as Jobseeker's or Illness Benefit from the Department of Social Protection, wait at least 8 weeks from the date you became unemployed.

If you paid emergency tax, you can apply immediately for a tax refund.

How do I apply for a tax refund?

To claim the refund, you need a form P50. It is available from www.revenue.ie or from any Revenue office.

Fill in the form P50 and send it along with your P45 to your local Revenue office.

What if I am out of **WORK** for a while



TAX CREDITS

Here is a list of the main tax credits and their values for 2010 and 2011 as announced in the budget.

Visit www.revenue.ie for a full list of tax credits.

Tax Credit	2010€	2011€
Single Person	1,830	1,650
Married Person	3,660	3,300
PAYE Credit	1,830	1,650
Widowed Person (without dependant children)	2,430	2,190
One-Parent Family Credit	1,830	1,650
Incapacitated Child Credit (Max)	3,660	3,300
Blind Tax Credit		
Single Person	1,830	1,650
One Spouse Blind	1,830	1,650
Both Spouses Blind	3,660	3,300
Widowed Parent, bereaved in 2010	-	3,600
2009	4,000	3,150
2008	3,500	2,700
2007	3,000	2,250
2006	2,500	1,800
2005	2,000	-
Age Tax Credit (65 and over)		
Single or Widowed	325	245
Married	650	490
Dependent Relative	80	70
Home Carer	900	810

Other Tax Reliefs

	2010 € Max	2011 € Max
Rent Tax Credit		
Single, under 55	400	320
Married or Widowed, under 55	800	640
Single, 55 and over	800	640
Married or Widowed, 55 and over	1,600	1,280
Trade Union Subscriptions	70	Nil
Employing a Carer (Allowed at your top rate of tax)	50,000	50,000

Service charges

If you paid bin charges or local authority service charges in the previous year, you can claim a tax credit of up to €80.

What you paid in 2010, you can claim in 2011.

This relief is not available for service charges paid after 2010.

TAX CREDITS



CONTACT

The Revenue PAYE 1890 LoCall Phone Service operates from Monday to Friday. Don't forget to have your PPS number handy to save time.

The actual cost of calls to these LoCall 1890 numbers varies depending on your phone company and calls made using mobile phones may be expensive. It is recommended that you only ring these numbers from a landline.

If you are calling from outside the Republic of Ireland please phone + 353 1 702 3011

Persons with a disability who wish to access Revenue's services should contact **accessofficer@revenue.ie**

This leaflet is intended to describe the subject in general terms. As such, it does not attempt to cover every issue which may arise in relation to the subject. It does not purport to be a legal interpretation of the statutory provisions and consequently, responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.

Dublin region - 1890 333 425

Dublin city and county

East and South East region - 1890 444 425

Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford and Wicklow

Border, Midlands and West region - 1890 777 425

Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo and Westmeath

South West region - 1890 222 425

Clare, Cork, Kerry and Limerick