Income Levy

Frequently Asked Questions

Revenue

6 August 2009

Changes from the previous version issued 2 July 2009

Revised FAQs

FAQ	Subject	Change
2.4	Medical card holders	Mid-year refunds where full medical card held
4.12	Forms: End of Year Income Levy Certificate	Information regarding the End of Year – Income Levy Certificate 2009 inserted.
4.16	Employer adjustments at end of year	Full medical card holders - mid-year refunds where full medical card held End of year adjustment example inserted
4.27	Revenue’s reviews where cases have 53 weeks of payments	This FAQ has been deleted

New

Appendix D	End of Year Income Levy Certificate	New certificate inserted

Contents

1. Income Levy General Provisions

1.1 What is the income levy?

The income levy, which came into effect on 1 January 2009, is a levy payable on gross income, including notional pay, before any relief for any capital allowances, losses or pension contributions.

1.2 Who is liable for the income levy?

All individuals are liable to pay the income levy if their gross income exceeds the threshold of €15,028 p.a., (€289 per week) or if they exceed the income exemption limit of €20,000 p.a. for an individual aged 65 or over.

In the specific circumstances where an employer or pension provider has already applied the higher exemption limit of €352 to weekly payments made prior to 1 May 2009 (using the annual threshold of €18,304 as set out in the Finance (No. 2) Act 2008) Revenue will not seek to recover any underpayment of levy for this period arising as a result of the application of this higher exemption. This special provision only applies in respect of payments actually made in the period between 1 January 2009 and 30 April 2009.

1.3 Are there exempt categories?

Yes.

- Where an individual's total income for a year does not exceed €15,028 p.a.*
- Full medical card holders - see section 2.4
- Social welfare payments are also excluded
- Individuals aged 65 or over whose annual income does not exceed €20,000
  At the end of the year, a refund of any income levy paid will be due from Revenue where a married couple:
  - is taxed under joint assessment or separate assessment, and
  - one or both of whom are aged 65 or over in the year, and
  - has combined gross income from all sources of less than twice the single threshold (2 x €20,000) See section 2.3 and 2.21

*In the specific circumstances where an employer or pension provider has already applied the higher exemption limit of €352 to weekly payments made prior to 1 May 2009 (using the annual threshold of €18,304 as set out in the Finance (No. 2) Act 2008) Revenue will not seek to recover any underpayment of levy for this period arising as a result of the application of this higher exemption. This special provision only applies in respect of payments actually made in the period between 1 January 2009 and 30 April 2009.

1.4 What income is exempt from the income levy?

- all social welfare payments including social welfare payments received from abroad
- payments that are made in lieu of social welfare payments such as Community Employment Schemes paid by the Department of Enterprise and Employment or Back to Education Allowance paid by the Department of Education. [Appendix A contains examples of these types of payments]
- income subjected to DIRT,

- and the income sources listed in Appendix B

1.5 Will the income levy apply to non-domiciles?

If they have income from Ireland or income sourced from Ireland they will pay the income levy on it the same way as they currently pay income tax on it.

1.6 I am a non-resident director – will I be liable to pay income levy?

Directors fees paid by an Irish company to a non-resident director will be subject to the levy.

1.7 What are the rates and thresholds of the income levy?

1. For **payroll purposes** the following income levy rates apply:

Applicable to payments made from 1 January 2009 to 30 April 2009 inclusive

Income Thresholds			
Per Year	**Per Week**	**Per Month**	**Rate of Income Levy**
Up to €100,100	Up to €1,925	Up to €8,342	1%
From €100,101 to €250,120 inclusive	From €1,926 to €4,810 inclusive	From €8,343 to €20,844 inclusive	2%
In excess of €250,120	In excess of €4,810	In excess of €20,844	3%

Applicable to payments made on or after 1 May 2009

Income Thresholds			
Per Year	**Per Week**	**Per Month**	**Rate of Income Levy**
Up to €75,036	Up to €1,443	Up to €6,253	2%
From €75,037 to €174,980 inclusive	From €1,444 to €3,365 inclusive	From €6,254 to €14,582 inclusive	4%
In excess of €174,980	In excess of €3,365	In excess of €14,582	6%

2. For **self-assessed individuals** the 2009 annual rates, passed on Budget night, are as follows:

Part of aggregate income	Rate of income levy
The first €75,036	1.67%
The next €25,064	3%
The next €74,880	3.33%
The next €75,140	4.67%
The remainder	5%

1.8 Is the higher % being charged on all earnings or just on the earnings over the relevant threshold?

- **From 1 January 2009 to 30 April 2009**
  The 2% levy is charged on all payments from €100,101 p.a. to €250,120 p.a. inclusive and the 3% is being charged on all payments in excess of €250,120 p.a.

- **From 1 May 2009**
  The 4% levy is charged on all payments from €75,037 p.a. to €174,980 p.a. inclusive and the 6% is being charged on all payments in excess of €174,980 p.a.

1.9 How is the income levy collected?

Employers are responsible for deducting the income levy from their employees' salaries. Self-employed individuals will make a payment of income levy along with their preliminary tax payment, and any balance will be collected when the final assessment issues

1.10 What income is liable for the income levy?

The levy is payable on gross income before relief for any capital allowances, losses or pension contributions.

Employers should note however that if any social welfare payments, for example, illness benefit, have been paid to an employee, or salary sacrifices approved by the Revenue Commissioners have been made by the employee, the amount on which the income levy is calculated will differ. Therefore when recording gross pay, these amounts should be deducted and the total pay thereafter, before superannuation contributions, should be used when calculating the income levy due.

1.11 Will redundancy payments be subject to the levy?

Statutory redundancy payments are exempt from the levy. Statutory redundancy payments amount to 2 weeks pay per year of service plus a bonus week subject to a maximum payment of €600 per week.

In addition, ex-gratia redundancy payments in excess of the statutory redundancy amount are exempt from income tax, and therefore also the income levy, up to certain limits. These limits are up to €10,160 plus €765 per complete year of service in excess of the statutory redundancy. The basic exemption as outlined above can be further increased by up to €10,000 if the person is not a member of an occupational pension scheme.

Any relevant emoluments paid which are in excess of these limits are subject to the income levy in accordance with section 531B (*as inserted by section 2 of Finance (No. 2) Act 2008*) of the Taxes Consolidation Act 1997. It should be noted that the income levy is charged after granting the statutory exemptions set out above, and after granting any additional deduction for Standard Capital Superannuation Benefit (SCSB).

The taxable element of redundancy payments paid between 1 January and 30 April 2009 will be subject to the income levy rates and thresholds in force in the first four months of 2009.

1.12 I am separated from my spouse and paying maintenance payments. How are these payments treated for income levy purposes?

How maintenance payments are treated for income levy purposes will depend on the nature of the maintenance payments arrangements in place, i.e. are they voluntary payments or legally enforceable payments.

Voluntary maintenance payments (payments paid under an informal arrangement)

- The spouse making the payments does not receive exemption from the income levy on the portion of their income which they pay as maintenance.
- The spouse who receives the payments is not subject to the income levy on the maintenance payments they receive.

Legally enforceable maintenance payments (payable under legal obligation)

- The spouse making the payments is entitled to receive an exemption from the income levy on the portion of their income which they pay as maintenance either directly or indirectly to their spouse. There is no income levy exemption due in respect of any portion of the maintenance payments paid towards the maintenance of children.

  An employee wishing to claim income levy exemption in respect of legally enforceable maintenance payments throughout the year may either give the information required to their payroll office, or alternatively they can apply to Revenue at the end of the year to claim any refund of income levy that may be due in respect of maintenance paid.

- The spouse who receives the payments is subject to the income levy on the portion of the maintenance payments they receive in respect of themselves. Any portion of the maintenance payments paid towards the maintenance of children is not subject to the levy.

  Note: In the case of a legally enforceable maintenance arrangement, where a separated couple has jointly elected to be treated as a married couple for income tax purposes, the spouse making the payments does not receive exemption from the income levy on the portion of their income which they pay as maintenance. The spouse who receives the payments is not subject to the income levy on the maintenance payments they receive.

1.13 Are share option gains chargeable to income tax under section 128 of the Taxes Consolidation Act 1997 liable to the income levy?

Yes, gains on the assignment, release or exercise of share options chargeable to income tax under section 128 of the Taxes Consolidation Act 1997 are liable to the income levy.

A payment of income levy should be made at the same time as preliminary tax - see section 3.1 – with any balance paid when the return for the relevant year is filed.

1.14 Am I obliged to include the income levy due on share option gains when making my payment of RTSO (Relevant Tax on Share Options)?

No, there is no obligation to include the income levy when making a payment of RTSO (see Information Leaflet CG 16 for more information on RTSO).

Payment of income levy should be made at the same time as preliminary tax with any balance paid when the return for the relevant year is filed.

1.15 In the case of "restricted shares" to which section 128D Taxes Consolidation Act 1997 applies, is the income levy payable on the gross amount chargeable to income tax or on the abated amount?

Income levy is payable on the abated amount. If, at a future date, the abated amount is revised additional income levy will then be payable.

1.16 Is my employer's contribution to an approved retirement benefit scheme liable to income levy?

No, section 778 of the Taxes Consolidation Act 1997 provides that an employer contribution made to an approved retirement benefit scheme or a statutory scheme is not treated as a benefit-in-kind for income tax purposes. As the income levy treatment follows the income tax treatment, any employer's contribution to such schemes will not be subject to income levy.

Irrespective of this, employee contributions are not relieved for income levy purposes.

2. PAYE Taxpayers and the Income Levy

2.1 Are the first €15,028 p.a. earnings exempt?

No – once your income is greater than the minimum threshold above, you pay the levy on the full amount of your income.

In the specific circumstances where an employer or pension provider has already applied the higher exemption limit of €352 to weekly payments made prior to 1 May 2009 (using the annual threshold of €18,304 as set out in the Finance (No. 2) Act 2008) Revenue will not seek to recover any underpayment of levy for this period arising as a result of the application of this higher exemption. This special provision only applies in respect of payments actually made in the period between 1 January 2009 and 30 April 2009.

2.2 I'm over 65 years and my income is €25,000 is the first €20,000 exempt?

No. Once your income exceeds the €20,000 p.a. threshold (€385 per week / €1,667 per month), you are liable to pay the income levy on the full amount of your income on a week1 / month 1 basis. Your income for income levy purposes is determined after excluding any social welfare or similar type income.

2.3 My spouse and I are both over 65 and taxed under joint assessment– are we exempt from the income levy?

Each spouse is treated individually by their employers/pension providers throughout the year. Where the individual is aged 65 or over the €20,000 exemption is applied by their employer/pension provider on a pay period by pay period basis.

At the end of the year, a refund of any income levy paid will be due from Revenue where a married couple:

- is taxed under joint assessment or separate assessment, and
- one or both of whom are aged 65 or over in the year, and
- has combined gross income from all sources of less than twice the single threshold (2 x €20,000). Gross income for this purpose does not include income from social welfare or similar type payments.

<u>Example:</u>
Spouse A, aged 67, has income of €23,000 in 2009. As this income exceeds the €20,000 threshold the full income is subject to the income levy. Their employer/pension provider will apply the income levy at the appropriate rate.

Spouse B, aged 66, has income of €10,000 in 2009. As this income is below the €20,000 threshold no income levy is applied.

At the end of 2009 the couple, who are taxed under joint assessment, have combined gross income of €33,000 which is less than twice the single threshold (2 x €20,000). They can apply to Revenue for a refund of any income levy deducted throughout 2009.

2.4 I have a medical card – do I pay income levy on my wages?

Persons entitled to a full medical card are specifically excluded from the income levy. The exemption exists for people who hold a full medical card. It does not exist for people who hold a GP only medical card.

The individual does not need to hold the full medical card for the full year to qualify for the exemption. The exemption is due as long as the individual held a full medical card for some period during the year. The individual should supply sufficient evidence to their employer/pension provider that they hold a full medical card. The employer/pension provider should stop deducting the income levy and can refund immediately any amount of income levy already deducted from the previous 1 January. It is not necessary for the employer/pension provider to wait until the end of year to make any refund due in medical card cases.

Where a medical card has been issued by any other State, only where those cards have an entitlement to full exemption from prescription charges are to be treated as equivalent to full medical cards for the purposes of the exemption from levy. Any issues of doubt should be referred to Revenue.

UK and Northern Ireland Medical Cards are to be treated as "Doctor Only" medical cards unless they are accompanied by certification that the recipient is entitled to full exemption from prescription charges also.

Persons who are the holders of the Health Amendment Act Card are entitled to the same exemption rights as a holder of a full medical card.

The European Health Insurance Card only entitles the bearer to necessary healthcare in the public system of any EU / EEA member state or Switzerland if they become ill or injured while on a temporary stay in that country. In Ireland it provides for access to hospital care similar to that provided in public hospitals funded by the State. It is not a medical card for exemption from income levy.

2.5(a) Can those persons over 70 years of age who qualified but did not apply for a medical card, and who now no longer qualify under the revised terms for medical cards, avail of the full medical card exemption for 2009?

For the year 2009 only, where an individual was over the age of 70 years prior to 2nd March 2009, and accordingly would have had eligibility to a full medical card under the provisions of section 45 of the Health Act 1970 or Council Regulation (EEC) No 1408/71 of 14 June 1971, then, where an employer or pension provider is satisfied that the relevant age qualification criteria has been met, he or she should not deduct income levy for the year 2009. Income levy already deducted may also be repaid for such cases.

2.5(b) Given that my employer records my Social Welfare illness benefit after 6 weeks for tax purposes will I now have to pay the income levy on this benefit?

No. Social Welfare payments are not subject to the income levy.

2.6 How much per week can I earn before I become liable for the income levy?

There is a lower threshold of €15,028 p.a. or €289 per week where the income levy will not apply.

In the specific circumstances where an employer or pension provider has already applied the higher exemption limit of €352 to weekly payments made prior to 1 May 2009 (using the annual threshold of

€18,304 as set out in the Finance (No. 2) Act 2008) Revenue will not seek to recover any underpayment of levy for this period arising as a result of the application of this higher exemption. This special provision only applies in respect of payments actually made in the period between 1 January 2009 and 30 April 2009.

2.7 What happens when I exceed the weekly minimum threshold of €289?

Where the income exceeds the weekly minimum threshold the full income is subject to the income levy.

Where the income levy has been applied for particular pay period(s) throughout the year but the minimum threshold of €15,028 has not been exceeded at week 52 then no liability to the income levy arises. In this situation and provided you were in continuous employment with an employer throughout the year in question (for the full 52 weeks) your employer should make an adjustment at week 52 and refund all income levy deducted. Where you have not been in continuous employment with an employer throughout the year in question, Revenue, rather than your employer, will deal with any refund of income levy due.

2.8 I earn €50,000 per annum – what rate of income levy will I pay?

An individual who is earning €50,000 p.a. will have a liability to the income levy at a rate of 1% on all payments made on or after 1 January 2009 to 30 April 2009 and at a rate of 2% on all payments made on or after 1 May 2009.

2.9 I earn €70,000 and my spouse earns €120,000 - what rate will we pay?

You will pay the income levy at the 1% rate on all payments made on or after 1 January 2009 to 30 April 2009 and at a rate of 2% on all payments made on or after 1 May 2009.

For the period 1 January 2009 to 30 April 2009 your spouse will pay 1% on income up to €100,100 p.a. and 2% on the balance. With effect from 1 May 2009 your spouse will pay 2% on income up to €75,036 p.a. and 4% on the balance.

2.10 If I get a bonus of €6,000 will the income levy apply at the 6% rate?

The income levy is calculated on the following weekly thresholds:

<table>
<tr><td rowspan="3">Applicable to all payments made on or after 1 January 2009 to 30 April 2009</td><td>1% on income up to €1,925</td></tr>
<tr><td>2% on income from €1,926 to €4,810 inclusive</td></tr>
<tr><td>3% on income above €4,840</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td rowspan="3">Applicable to all payments made on or after 1 May 2009</td><td>2% on income up to €1,443</td></tr>
<tr><td>4% on income from €1,444 to €3,365 inclusive</td></tr>
<tr><td>6% on income above €3,365</td></tr>
</table>

An employee will pay the income levy at the appropriate rate(s) on a week 1 basis according to the amount of their payment in that particular week.

2.11 Are Occupational Pensions subject to the income levy?

Yes. Occupational Pensions are subject to the income levy. Social welfare pensions are not subject to the income levy.

2.12 Will the income levy affect tax credits?

No. The levy is a separate charge to income tax and there are no deductions or credits due against it. It is collected from gross income at the progressive rates. Excess or unused tax credits cannot be used to reduce an individual's liability to the levy

2.13 Am I allowed a deduction for pension contributions?

No. No deductions for pension contributions are allowed from gross income

2.14 My medical expenses are greater than my taxable income. Can I set the excess expenses against income levy to reduce my liability to it?

No. Excess medical expenses which have not been set against income tax liability cannot be used to reduce liability to the income levy.

2.15 Are married couples who are jointly assessed allowed double the threshold limits?

No. The thresholds apply to each spouse individually and cannot be combined where one spouse is below the thresholds and the other above. Please see FAQs 2.3; 2.21 and 2.24 regarding married individuals aged 65 or over.

2.16 Short-term working arrangement Job Seekers benefit is not taxable. Will I now have to pay the income levy on it?

No. All payments from the Department of Social and Family Affairs, and payments made by other Departments which are similar to social welfare payments are exempt from the levy.

2.17 Should I pay the income levy on travel expenses, etc?

Any expense payments which are only a recompense for expenses incurred in the performance of duties, are not subject to the income levy. Allowances which are in the nature of pay and are part of an individual's gross income are subject to the levy.

2.18 If I change employment during the year and earn €50,000 with my first employer and €100,000 with my second employer will the higher income levy rates automatically kick in?

No. Each employer is responsible for collecting the levy by reference to the gross income arising in their own employment only. Details of the income levy are not carried forward from one employment to another. The income levy is collected on a week 1 basis. In circumstances where, in the aggregate of the income arising between the two employments, there is an underpayment of the income levy, Revenue will identify this and make arrangements for the collection of the underpayment from the employee concerned.

2.19 Is it true that although I am exempt from income tax, I may still have to pay the income levy?

An individual who has no liability to tax based on their entitlement to tax credits or by use of losses or capital allowances may still have a liability to the income levy.

Similarly an individual whose income consists of exempt source income from occupation of certain woodlands, profits from stallion fees, stud greyhound services fees and farmland leasing, along with patent royalty income and earnings of certain writers, artists and composers, will be subject to levy on any or all of these income sources.

2.20 I am a single person and will be 65 years old in June 2009. Am I entitled to the €20,000 exemption for all of 2009?

Yes. If a person reaches 65 years at any stage during the year they are entitled to the €20,000 exemption for the whole year.

2.21 I am 65 years old and my spouse is 61. What exemptions are we entitled to?

Each spouse is treated individually by their employers/pension providers throughout the year with the appropriate income levy exemptions being applied based on their personal circumstances. Where the individual is aged 65 or over, the €20,000 p.a. (€385 per week/€1,667 per month) exemption is applied by their employer/pension provider on a pay period by pay period basis. Where the €20,000 exemption threshold is exceeded, the full income is subject to the income levy.

Where the individual is under 65, the under 65 exemption of €15,028 (€289 per week/€1,253 per month) is applied by the employer on a pay period by pay period basis. Where the €15,028 exemption threshold is exceeded, the full income is subject to the income levy.

At the end of the year, a refund of any income levy paid will be due from Revenue where a married couple:

- is taxed under joint assessment or separate assessment, and
- one or both of whom are aged 65 or over in the year, and
- has combined gross income from all sources of less than twice the single threshold (2 x €20,000). Gross income for this purpose does not include income from social welfare or similar type payments.

<u>Example 1:</u>
Spouse A, aged 65, has income of €15,000 in 2009. As this income is below the €20,000 threshold no income levy is applied.

Spouse B, aged 61, has income of €24,000 in 2009. As this income exceeds the €15,028 minimum exemption the full income is subject to the income levy. Their employer will apply the income levy at the appropriate rate.

At the end of 2009 the couple, who are taxed under joint assessment, have combined gross income of €39,000 which is less than twice the single threshold (2 x €20,000). They can apply to Revenue for a refund of any income levy deducted throughout 2009.

<u>Example 2:</u>
Spouse A, aged 65, has income of €15,000 in 2009. As this income is below the €20,000 threshold no income levy is applied.

Spouse B, aged 61, has income of €50,000 in 2009. As this income exceeds the €15,028 minimum exemption the full income is subject to the income levy. Their employer will apply the income levy at the appropriate rate.

At the end of 2009 the couple, who are taxed under joint assessment, have combined gross income of €65,000 which is more than twice the single threshold (2 x €20,000). No refund of the income levy is due in this case.

2.22 I have just left my job and my employer has given me an Income Levy Certificate along with my form P45. What do I do with the Income Levy Certificate?

Your employer gave you the income levy certificate as your own personal record of the amount of income levy deducted while in that employment. You need not do anything with this certificate. Just keep it safely. It should not be sent to Revenue or given to your new employer when you commence another employment.

2.23 What if I have overpaid the income levy? How can I claim a refund?

The income levy is calculated on a pay period by pay period basis. Where the income levy has been applied for particular pay period(s) throughout the year but you are ultimately liable at either a lower rate or are exempt because you have not exceeded the thresholds at the end of the year, you will have overpaid the income levy. In this situation you will be due a refund of some or all of any income levy paid. Where you have been in continuous employment with an employer throughout the year in question (for the full 52 weeks/12 months), your employer may refund any overpayment of income levy deducted at the end of the year. Where you have not been in continuous employment with an employer throughout the year in question, Revenue, rather than the employer, will deal with any refund of income levy due at the end of the year.

2.24 I am 67 years old and will earn €32,000 in 2009. My spouse has no income. What exemption am I entitled to?

As your income exceeds the 'individual aged 65 or over' €20,000 threshold your full income is subject to the income levy. Your employer/pension provider will apply the income levy at the appropriate rate.

At the end of 2009 your combined gross income is €32,000 which is less than twice the single threshold (2 x €20,000). You can apply to Revenue for a refund of any income levy deducted throughout 2009.

2.25 My employer makes a contribution on my behalf to my Personal Retirement Savings Account (PRSA). Is levy payable in respect of this contribution given it qualifies for tax relief as a pension contribution?

Income levy applies to all emoluments of an employment, including anything treated as a taxable benefit-in-kind. An employer contribution to a personal retirement savings account (PRSA) is chargeable to income tax in the hands of the employee as a benefit-in-kind under section 118 of the Taxes Consolidation Act 1997. As the income levy treatment follows the income tax treatment the employer's contribution to the personal retirement savings account will also be subject to the income levy.

Income levy should be deducted on this contribution in a similar manner to any other benefit provided by an employer and accounted for with income levy deducted on emoluments.

3. Self-Assessed Taxpayers and the Income Levy

3.1 How will the income levy be collected?

Self-assessed taxpayers have responsibility for operating the levy in respect of all income sources. They will make a payment of income levy along with their preliminary tax payment, and subject to the correct amount of preliminary tax being paid, the balance is payable when the return is filed.

3.2 I am self-employed – how do I calculate gross income for the purposes of the income levy?

Gross income is determined after deduction of legitimate expenses directly associated with the performance of the trade. This is in accordance with the normal principles of commercial accounting.

3.3 Can expenses be deducted?

Legitimate revenue expenses directly associated with the performance of the trade can be deducted in calculating the taxable profit figure upon which the levy is chargeable.

3.4 Am I allowed to deduct capital allowances?

No. No deductions for capital allowances are allowed from gross income

3.5 Am I allowed to deduct losses?

No. No deductions for losses are allowed from gross income

3.6 Are exempt sources of income liable for the income levy?

Yes. An individual whose income consists of exempt source income from occupation of certain woodlands, profits from stallion fees, stud greyhound services fees and farmland leasing, along with patent royalty income and earnings of certain writers, artists and composers, will be subject to income levy on the sources above – subject to the relevant thresholds.

3.7 How will the changes in income levy rates, announced in the April 2009 Budget, impact for the persons under self-assessment who will pay income levy with preliminary tax in 2009?

The following new composite annualised rates will apply:

Income Levy Rate	Income
1.67%	On first €75,036
3%	On next €25,064
3.33%	On next €74,880
4.67%	On next €75,140
5%	On balance

4. Employers and the Income Levy

4.1 As an employer, what are my responsibilities in relation to the collection and remittance of the income levy?

- Identify “Gross Income” as defined
- Deduct the levy from this income at the appropriate rates
- Pay the total amount of the income levy deducted from your employees on form P30 to the Collector General – the income levy amount is to be included with figure for PAYE on form P30.
- At end of year give details of the income levy on form P35L – see section 4.12

4.2 Who is responsible for deducting and returning the income levy?
Employers have responsibility for operating levy in relation to payments they make to their employees. They will deduct and pay the income levy to the Collector General on behalf of employees.

4.3 I am an employer – when do I pay this levy?

Employers should pay the income levy to the Collector General at the same time and in the same manner as the deductions under the PAYE system.

4.4 If the employer is responsible, what will the penalty be if the income levy is not correctly administered?

Penalties similar to those that apply where the employer fails to operate PAYE correctly will apply for failure to operate the levy.

4.5 Will there be an interest charge for late payment of the income levy?

Yes. Interest will be payable on late payments of the income levy to the Collector General.

4.6 If all earnings are taken into account, how does an employer know what an employee may earn in another employment to determine which income levy % should be applied?

The employer is only responsible for deducting the income levy from income, including notional pay, which he or she is paying to an employee. They are not required to take account of income arising from other sources.

4.7 Are social welfare payments added to income to determine whether the income levy will be charged or not?

No. Social welfare payments are exempt from the levy.

4.8 Is calculation of the income levy different from calculation of PAYE & PRSI?

Yes.

- The calculation is separate to PAYE and PRSI and is based on gross income as defined

- The income levy is collected on a stand-alone basis for each employment

- The income levy is collected on a week 1 basis within each employment.

4.9 For employers using Direct Debit, should their amounts be increased, to take account of the income levy?

Yes. Direct Debit amounts should be revised to take account of levy payments.

4.10 What records should employers keep regarding the income levy?

Employers should keep the following records in relation to the income levy for each employee for each year.

- Amount of emoluments liable to income levy
- Amount of income levy deducted from each payment made
- Total amount of income levy deducted.

2009 income levy records
As new income levy rates apply from 1 May 2009 employers should keep separate records in respect of the periods:

- 1 January 2009 to 30 April 2009, and
- 1 May 2009 to 31 December 2009.

4.11 Should pay-slips record the income levy details separately?

Yes. Details of the income levy should be recorded separately on payslips.

4.12 What revisions to forms will be made to cater for the income levy?

The following forms will be revised to allow for reporting of the income levy (and parking levy where appropriate).

P30
Include Income Levy in PAYE figure
Include Parking Levy in PRSI figure

P35 Declaration payslip – there is no change to the number of fields. Within those fields are the following changes:

Field	Current P35	P35 will be changed to:
A	Total Tax Liability	Total Tax plus Total Income Levy
B	Total PRSI Liability	Total PRSI plus Total Parking Levy
C	Total A + B	No change
D	Total Tax Paid	No change
E	Claimed Refund	No change
F	Amount Payable	No change

Guidelines on the P35 declaration will be changed to reflect inclusions in the relevant fields.

P35 L

Two additional fields per employee:
1. Gross Pay (including Superannuation)
2. Total Income Levy

P35 LT

Two additional fields per employee:
1. Gross Pay (including Superannuation)
2. Total Income Levy

P35 LF

Two new Parking Levy Fields:
1. Total number of employees that contributed to Parking Levy Fees
2. Total amount contributed to Parking Levy Fees

One new Income Levy field:
Total Income Levy

P60
There are no changes to the 2009 P60. Details of the income levy will not be shown on the 2009 P60.

End of Year Income Levy Certificate
An end of year Income Levy Certificate should be given to each employee along with their form P60. This end of year certificate (similar to the income levy certificate on cessation of employment detailed in FAQ 4.13 hereunder) will show the employee's

- Gross Income for Income Levy, and
- Amount of Income Levy Deducted

for the periods 1 January to 30 April 2009 and from 1 May to 31 December 2009.

The information detailed on this certificate will be for 'this employment only'. Where an individual had more than one period of employment with the same employer in the year the certificate will state the income levy information in respect of the latest period of employment only.

The income levy certificate should be issued even when employees have nil income levy deducted during their employment.

Some payroll software systems will print a version of the certificate automatically from the payroll record.

Alternatively employers can use the Revenue template found at www.revenue.ie/en/tax/it/forms/end-year-income-levy-certificate-2009.pdf. Simply fill in the details on screen and print it out. A paper version of this end of year income levy certificate (see sample certificate in Appendix D) is available from:

Revenue’s Forms & Leaflets Service
Telephone (24-Hour service) 1890 30 67 06
If calling from outside the Republic of Ireland please phone + 353 1 70 23 050
Email: custform@revenue.ie

The following information is required on the certificate:

- Employee name
- PPS Number
- Payroll / Works No. (if applicable)
- Date of commencement (if after 1 January)
- Gross Income for income levy - for the period 1 January 2009 to 30 April 2009
- Amount of income levy deducted - for the period 1 January 2009 to 30 April 2009
- Gross Income for income levy - for the period 1 May 2009 to 31 December 2009
- Amount of income levy deducted - for the period 1 May 2009 to 31 December 2009
- Employer name and address
- Employer registered number
- Signature
- Phone number
- Email address
- Date

4.13 Income Levy Certificate on cessation of employment

When an employee ceases employment the employer should issue an Income Levy Certificate to the employee together with form P45. It is not necessary to send a copy of this certificate to Revenue. It is for the employee’s own records. The information detailed on this certificate will be for ‘this employment only’. Where an individual had more than one period of employment with the same employer in the year the certificate will state the income levy information in respect of the latest period of employment only. The individual will be given an income levy certificate each time they cease employment. This will mean, for example, that where an individual commenced and ceased employment three times with the same employer in 2009 they will receive three income levy certificates from this employer in 2009. Employers should note that details of the income levy should **not** be included on forms P45.

The income levy certificate should be issued even when employees have nil income levy deducted during their employment.

The Supplementary Budget of April 2009 brought in changes to the income levy with effect from 1 May 2009. As a result the Income Levy Certificate has been revised (see sample certificate in Appendix C). Employers are to give a breakdown of income levy details for the periods

- 1 January 2009 to 30 April 2009, and
- 1 May 2009 to 31 December 2009

Where a payment is made to an ex-employee that is not included on the form P45 an income levy certificate should be issued to reflect this payment. This supplementary income levy certificate can either show the details of the supplementary payment only and be marked ‘Supplementary’ or it can include the details from the P45 plus the supplementary payment and be marked ‘Amended’.

Some payroll software systems will print a version of the certificate automatically from the payroll record.

Alternatively employers can use the Revenue template found at www.revenue.ie/en/tax/it/forms/income-levy-certificate-2009.pdf. Simply fill in the details on screen and print it out. A paper version of this income levy certificate (see sample certificate in Appendix C) is available from:

Revenue's Forms & Leaflets Service
Telephone (24-Hour service) 1890 30 67 06
If calling from outside the Republic of Ireland please phone + 353 1 70 23 050
Email: custform@revenue.ie

The following information is required on the certificate:

- Employee name
- PPS Number
- Payroll / Works No. (if applicable)
- Date of commencement (if after 1 January)
- Date of cessation
- Year
- Gross Income for income levy - for the period 1 January 2009 to 30 April 2009
- Amount of income levy deducted - for the period 1 January 2009 to 30 April 2009
- Gross Income for income levy - for the period 1 May 2009 to 31 December 2009
- Amount of income levy deducted - for the period 1 May 2009 to 31 December 2009
- Employer name and address
- Employer registered number
- Signature
- Phone number
- Email address
- Date

4.14 What is the weekly/monthly, etc. breakdown of the income levy thresholds?

The breakdown of the income levy threshold figures is as follows:

Applicable to all payments made on or after 1 January 2009 to 30 April 2009

Annual Threshold	**Weekly**	**Fortnightly**	**Monthly**	**4-Weekly**	**Bi-monthly**	**Quarterly**
18,304	352	704	1,526	1,408	763	4,576
100,100	1,925	3,850	8,342	7,700	4,171	25,025
250,120	4,810	9,620	20,844	19,240	10,422	62,530
Over 65's						
20,000	385	770	1,667	1,539	834	5,000

Applicable to all payments made on or after 1 May 2009

Annual Threshold	Weekly	Fortnightly	Monthly	4-Weekly	Bi-monthly	Quarterly
15,028	289	578	1,253	1,156	627	3,757
75,036	1,443	2,886	6,253	5,772	3,127	18,759
174,980	3,365	6,730	14,582	13,460	7,291	43,745
Over 65's						
20,000	385	770	1,667	1,539	834	5,000

4.15 Where a payment is made for a period of less than, or more than, a week/month/etc., have the weekly/monthly/etc. threshold amounts to be adjusted accordingly?

No. The same standard threshold amounts, listed at 4.14 above, apply in all instances. For example, a weekly paid employee should, if a payment of salary is made in the week in which employment commences or ceases, have the full income levy threshold applied for the week, even if the payment relates to part of the week only.

<u>Example 1:</u>
(The May to December income levy rates are used in this example)
An employee works for 2 days in their last week of employment in June 2009 and receives a gross salary of €270. Their employer will apply the full weekly threshold of €289 to this payment. As the employee's income is below the threshold they will not pay the income levy on this income. The employee commences immediately in their new employment and works for the remainder of the week, earning €700 in this first week. Their new employer will apply the full weekly threshold of €1,443 to this income and apply the 2% income levy. Employers operate the income levy on a week 1 basis and apply the full thresholds for the week or part thereof. At the end of the year Revenue will collect any underpayment of the income levy.

<u>Example 2:</u>
A four-weekly paid employee leaves employment midway through the pay period and is paid for only 2 weeks. This employee is due the full four-weekly income levy threshold applied to their payment.

4.16 Circumstances in which employers/pension providers should make adjustments to the income levy liabilities at the end of the year

Where an employee is in continuous employment/pension (for a full 52 weeks/12 months) with an employer/pension provider throughout the year in question the employer/pension provider should make adjustments to income levy liabilities in the following circumstances:

(Note: Adjustment should be made in respect of overpayment of the income levy only. Where an employer/pension provider finds that the income levy has been under deducted at the end of the year they are not to deduct more income levy. Revenue will deal with any underpayments arising.)

- **Under 65 minimum threshold not exceeded**
  Where the income levy has been applied for particular pay period(s) throughout the year but the minimum threshold of €15,028 p.a. has not been exceeded at the end of the year then no liability to the income levy arises. In this situation the employer/ pension provider should make an adjustment at the end of the year and refund all income levy deducted. Where the employee has not been in

continuous employment with an employer/pension provider throughout the year in question Revenue, rather than the employer/pension provider, will deal with any refund of income levy due.

In the specific circumstances where an employer or pension provider has already applied the higher exemption limit of €352 to weekly payments made prior to 1 May 2009 (using the annual threshold of €18,304 as set out in the Finance (No. 2) Act 2008) Revenue will not seek to recover any underpayment of levy for this period arising as a result of the application of this higher exemption. This special provision only applies in respect of payments actually made in the period between 1 January 2009 and 30 April 2009.

- **Individuals liable at a lower rate(s)**
  Where a rate of income levy has been applied for particular pay period(s) but the employee ultimately is liable at a lower rate(s) at the end of the year they will have overpaid the income levy. In this situation the employer/pension provider should make an adjustment at the end of the year and refund any overpayment of income levy deducted. Where the employee has not been in continuous employment with an employer/ pension provider throughout the year in question Revenue, rather than the employer/pension provider, will deal with any refund of income levy due.

- **Individuals aged 65 or over**
  Where an employee/pensioner is aged 65 or over an exemption threshold of €20,000 applies. Where, in the case of an individual who is aged 65 or over, the income levy has been applied for particular pay period(s) throughout the year, but the exemption threshold of €20,000 p.a. has not been exceeded at the end of the year, then no liability to the income levy arises. In this situation the employer/pension provider should make an adjustment at the end of the year and refund all income levy deducted in the year. Where the employee/pensioner has not been in continuous employment with an employer/pension provider throughout the year in question Revenue, rather than the employer/pension provider, will deal with any refund of income levy due.

- **Full medical card holders**
  Where an employee holds a full medical card at any time during the year they are exempt from paying the income levy. The employee should supply sufficient evidence to their employer/pension provider that they hold a full medical card. The employer/pension provider should then stop deducting the income levy. Where the income levy has been applied for particular pay period(s) throughout the year but the individual holds a full medical card then they are due a refund of any income levy they have already paid in the year. The employer/pension provider can refund immediately any amount of income levy already deducted from the previous 1 January. It is not necessary for the employer/pension provider to wait until the end of year to make any refund due in medical card cases.

Employers/pension providers are to apply the following thresholds in their end of year adjustments:

Under 65 exemption
The under 65 exemption threshold for 2009 is €15,028.

Individuals aged 65 or over
The over 65 exemption threshold for 2009 is €20,000 (no change in the April Supplementary Budget).

Individuals under 65 and above the minimum threshold of €15,028

The income arising in the period 1 January 2009 to 30 April 2009 is subject to the income levy rates and thresholds in force in the period 1 January 2009 to 30 April 2009. The income arising in the period 1 May 2009 to 31 December 2009 is subject to the income levy rates and thresholds in force in the period 1 May 2009 to 31 December 2009.

Example:
A weekly-paid employee earned €84,000 in 2009.
He/she had 18 pay days in the period 1 January 2009 to 30 April 2009 and 34 pay days in the period 1 May 2009 to 31 December 2009.

At the end of 2009 the employer checks to see if this employee has overpaid the income levy:

Income Levy period 1 January – 30 April 2009
Pay in this period: €29,500 (18 pay days)
Income Levy paid in this period: €295

Income Levy thresholds to be applied in this case:

1%	Up to €34,650 (€1,925 weekly threshold x 18 pay days)
2%	From €34,651 to €86,580 (€4,810 weekly threshold x 18 pay days)
3%	In excess of €86,580

Income Levy due in this period:

€29,500 x 1% = €295

Income Levy period 1 May – 31 December 2009
Pay in this period: €54,500 (34 pay days)
Income Levy paid in this period: €1,250

Income Levy thresholds to be applied in this case:

2%	Up to €49,062 (€1,443 weekly threshold x 34 pay days)
4%	From €49,063 to €114,410 (€3,365 weekly threshold x 34 pay days)
6%	In excess of €114,410

Income Levy due in this period:

€49,062 x 2% =	€981.24
€5,438 x 4% =	€217.52
	€1,198.76

Total income levy due for 2009:	€1,493.76	(295.00 + 1,198.76)
Total income levy paid by the employee in 2009:	€1,545.00	(295.00 + 1,250.00)
Overpayment	€51.24	

The employer will refund this €51.24 overpayment of income levy to the employee.

If a week 53 payment arises in 2009 this payment will be treated on a week 1 basis for income levy purposes and the payment will not form part of the employer end of year (week 52) adjustment.

4.17 How is the income levy applied to holiday pay paid in advance of the usual pay day?

If 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 income levy will work in the same way as the tax credits and standard rate cut-off point currently work for those weeks. The 'increased' pay the employee receives in the week immediately preceding the week/2 weeks holidays is not extra pay earned in that particular week but rather the pay for the following week/2 weeks brought forward and paid in that particular week. In this situation the employee is due the income levy thresholds applied to each of the following weeks' pay as normal. It should be noted that this does not apply where the employee is being paid holiday pay immediately before leaving the employment.

4.18(a) A four-weekly paid employee is receiving holiday pay paid in advance in respect of two weeks holidays. How is the income levy applied in this case?

In this case the employee will be due the income levy four-weekly threshold amount applied to their four-weekly salary as normal and have two weekly threshold amounts applied to their two weeks holiday pay. In their next four-weekly salary period they will receive payment for two weeks (as the other two have already been paid in advance) and have two weekly threshold amounts applied to this payment.

4.18(b) A weekly paid employee is receiving holiday pay paid in advance in respect of 4 weeks holidays. How is the income levy applied in this case?

In this case the employee will be due the income levy weekly threshold amount applied to their weekly salary as normal and have four separate weekly threshold amounts applied to their four separate weeks holiday pay. It is not correct to apply the four-weekly or monthly income levy threshold amounts to the total of their four weeks holiday pay.

4.19 How is the income levy applied in cases where an exclusion order has been issued?

The income of employees for whom employers have been issued with Exclusion Orders is subject to the income levy in the same way as the income of all other employees.

Revenue will be requesting employers to remit the income levy collected from employees subject to Exclusion Orders, by including this figure

- in the PAYE field on the P30
- in the Total Tax/Income Levy Liability field in the P35 Declaration
- in the separate fields provided specifically for employees subject to exclusion orders in the P35LF

Following the Supplementary Budget of 7 April 2009, the Revenue Commissioners will now allow the same treatment for income levy purposes as applies for income tax purposes in relation to some exclusion orders.

Therefore, in circumstances where an individual is in receipt of Schedule E income which is subject to an Exclusion Order, and that individual is resident in a State which has a Double Taxation Agreement with Ireland, then in those particular circumstances income levy should not be deducted from the Schedule E payment, and any amounts deducted since 1 January 2009 may also be refunded.

4.20 How are income levy details returned for companies cancelled in 2009 prior to the availability of the new P35 stationery?

A separate document will be made available for this purpose. In the meantime income levy details are not to be included on the individual employee return.

4.21 An employee is due to receive back pay in 2009. Even though the back pay relates to 2008 will the payment be subject to the income levy?

Yes. Any payments made on or after 1 January 2009 but which relate to 2008 (or earlier years) will be subject to the income levy. It depends on the date of the payment rather than on when the income was earned. For example, where an individual does overtime in December 2008 and receives the payment for this overtime in January 2009, this payment is subject to the income levy.

4.22 Does the income levy reduce the gross pay for PAYE/PRSI purposes?

No. Any deduction for the income levy does not reduce the gross pay for PAYE/PRSI purposes, as illustrated in the following example:
Note - For the purpose of this example the income levy rates applicable to the period from I May 2009 are used.

An employee earns €800 per week.
Their weekly deduction for Salary Sacrifice for the Travel Pass Scheme is €20
Their weekly deduction for employee superannuation is €40

Income levy calculation:

Gross pay	€800
Less Salary Sacrifice for Travel Pass	€ 20
Income levy is applied to	€780 x 2% = €15.60

Note: the income levy is applied **before** the employee superannuation is deducted.

PRSI calculation:

Gross pay	€800
Less Salary Sacrifice for Travel Pass	€ 20
Less employee superannuation	€ 40
PRSI is applied to	€740 at the appropriate rate(s)

PAYE calculation:

Gross pay	€800
Less Salary Sacrifice for Travel Pass	€ 20
Less employee superannuation	€ 40
PAYE is applied to	€740 at the appropriate rate(s)

4.23 Where an employee has two sources of income, one or both of which is under the minimum threshold of €15,028 p.a. but which combined will exceed the threshold, can the employee opt to pay the income levy in the employment(s) where their income is below the threshold?

Yes. To avoid a situation where the employee has an under deduction of the income levy at the end of the year it is preferable if the employer could accommodate this situation and deduct the income levy even where the income is below the threshold.

4.24 What happens if an underpayment of income levy arises at the end of the year?

Where an employer/pension provider finds that the income levy has been under deducted at the end of the year they are not to deduct more income levy. Revenue will deal with any underpayments arising. An employer/pension provider is not responsible for paying any underpayment of income levy on an employee's behalf. The underpayment is between Revenue and the individual.

4.25 The Supplementary Budget announced new rates and thresholds applicable to all payments made on or after 1 May 2009. How is the income levy applied to a monthly payroll run on 8 May 2009?

As the payment is made after 1 May 2009 the full month's salary is subject to the new rates/thresholds.

4.26 How are employers to treat payments arising in week 53 for income levy purposes – given the particular arrangements set out in the employment regulations on how such income is treated for deduction of PAYE purposes?

Deduction of income levy is on a "week-one" basis and therefore levy should be deducted and remitted on the same basis as was applied in previous weeks.

Queries on the income levy

- **Employers**

Please contact:

Employer Information and Customer Service Unit
Telephone: 1890 25 45 65
If calling from outside the Republic of Ireland please phone + 353 67 63400
E-mail: employerhelp@revenue.ie

- **Employees and self assessed taxpayers**

Please contact your local Revenue office.

Appendix A

List of Social-Welfare-Like Payments

Payments made by the Dept of Enterprise, Trade and Employment

- Community Employment Scheme
- Job Initiative Scheme
- FÁS (non apprentice payments)

Payments made by the Health Service Executive (HSE):-

- Infectious Diseases Maintenance Allowance
- Blind Welfare Supplementary Allowance
- Domiciliary Care Allowance
- Mobility Allowance

Payments made by the Dept of Education:

- VTOS Training Allowances
- Youthreach Training Allowances
- Senior Traveller Training Allowances
- Back to Education Initiative (BTEI) Training Allowances paid to Youthreach, STTC or VTOS eligible participants on a pro-rata basis.
- Vocational Education Committees' Scholarship Scheme
- Fund for Students with Disabilities
- Student Assistance Fund
- Millennium Partnership Fund for Disadvantage

Payments made by the Dept of Agriculture:

- Farm Retirement Pensions
- Farm Retirement Workers Pensions

Payments made by the Dept of Community Rural and Gaeltacht Affairs

- Rural Social Scheme
    - Farm/Fish Assist Jobseekers Allowance or Jobseekers Benefit
    - One-Parent Family Payment, Widow(er)'s Pension or Disability Allowance
    - Adult Dependent of a recipient of the non-contributory State Pension

Appendix B

Exempt Income Sources

Section	Title
42	Interest on savings certificates
118	Exemption from BIK – Travel Pass, new bicycle scheme
153	Distributions to certain non-residents
189	Payments in respect of personal injuries
189A	Special trust for permanently incapacitated
190	Haemophilia Trust
191	Hepatitis C
192	Thalidomide
192A	Exemption in respect of certain payment under employment law
192B	Foster Care Payment
193	Income from Scholarships
194	Child benefit
194A	Early Childcare Supplement
195A	Exemption in respect of certain expense payments
196	Expenses of members of Judiciary
196A	State Employees: Foreign Service Allowance
196B	Employee of certain agencies: foreign service allowances
197	Bonus or interest paid under instalment savings schemes
198	Certain interest not to be chargeable
199	Interest on certain securities
200	Certain foreign pensions
201	Basic and increased exemptions in respect of tax under section 123 (Redundancy) including SCSB
202	Relief for agreed pay restructuring
203	Payments in respect of Redundancy
204	Military & other pensions, gratuities and allowances
205	Veterans of war of independence
216A	Rent a Room relief
216B	Scéim na bhFoghlaimeoirí Gaeilge
216C	Childcare service relief
510	Shares appropriated under Approved Profit Sharing Schemes
519A	Shares under Savings Related Share Option Schemes (SAYE)
519D	Shares under Approved Share Option Schemes

Appendix C **Income Levy Certificate (Revised April 2009)**

Income Levy Certificate 2009

Employee Details

Surname of Employee

Date of Commencement
(if after 1 January 2009)

D D M M Y Y

First Name

Date of Cessation

D D M M Y Y

PPS Number

Payroll/Works Number

Income Levy Details

Below are the details of the Income Levy deducted in this employment only in the year 2009

	1 January to 30 April 2009	1 May to 31 December 2009
Gross Income for Income Levy	€ , , .00 (Insert Euro figures only)	€ , , .00 (Insert Euro figures only)
Amount of Income Levy Deducted	€ , . (Including cent)	€ , . (Including cent)

Where an employee had more than one period of employment with the same employer in the year 2009 please insert the Income Levy figures in respect of the latest period of employment.

Employer Details

I certify that the particulars entered above are correct.

Employer

Employer Registered Number

Address

Phone No.

E-mail

Signature

Date

D D M M Y Y

Employer
This certificate is to be given to the employee along with their form P45 when they cease employment.
Employee
This is a certificate of the Income Levy deducted in this employment to date of cessation. Please retain carefully.

PLEASE COMPLETE THIS CERTIFICATE IN BLOCK CAPITALS

Appendix D **End of Year Income Levy Certificate**

End of Year - Income Levy Certificate 2009

Employee Details

Surname of Employee

Date of Commencement
(if after 1 January 2009)
D D M M Y Y

First Name

PPS Number

Payroll/Works Number

Income Levy Details

Below are the details of the Income Levy deducted in this employment only in the year 2009

	1 January to 30 April 2009	1 May to 31 December 2009
Gross Income for Income Levy	€ , , .00 (Insert Euro figures only)	€ , , .00 (Insert Euro figures only)
Amount of Income Levy Deducted	€ , , (Including cent)	€ , , (Including cent)

Where an employee had more than one period of employment with the same employer in the year 2009 please insert the Income Levy figures in respect of the latest period of employment.

Employer Details

I certify that the particulars entered above are correct.

Employer

Employer Registered Number

Address

Phone Number

E-mail

Signature

Date
D D M M Y Y

Employer
This certificate is to be given to the employee along with their form P60 for 2009.

Employee
This is a certificate of the Income Levy deducted in this employment in 2009. You should retain it carefully.

PLEASE COMPLETE THIS CERTIFICATE IN BLOCK CAPITALS