IT 2

Taxation of Married Persons

Revenue

Introduction

This leaflet explains the tax treatment of married people in the year of marriage and in subsequent years.

Year of Marriage

Once married, you should advise your local Revenue Office of the date of your marriage and quote your own and your spouse's Personal Public Service (PPS) Numbers.

For tax purposes, both partners continue to be treated as two single persons in the year of marriage. However, if the tax you pay as two single persons in that year is greater than the tax which would be payable if you had been taxed as a married couple, a refund of the difference can be claimed. Any refund due is only from the date of marriage and will be calculated at the end of that tax year.

A refund of tax for the year of marriage would normally only arise where a couple are taxed at different tax rates and one spouse could benefit from the unused Standard Rate Cut-Off Point or from some of the unused tax credits of the other spouse. See example on Page 9.

Subsequent Years

The following options are available:

- Joint Assessment/Aggregation
- Separate Assessment
- Assessment as a Single Person (Separate Treatment).

You may choose the method of taxation which is best suited to your circumstances. To help you decide, each method is described in detail in the following paragraphs.

Joint Assessment/Aggregation

What is Joint Assessment?

Joint Assessment (also known as aggregation) is usually the most favourable basis of assessment for a married couple. It is automatically given by your local Revenue Office once you have advised them of your marriage, but this doesn't prevent you from electing for either of the other options.

Under Joint Assessment, the tax credits and Standard Rate Cut-Off Point can be allocated between spouses to suit their circumstances. For example:

- If only one spouse has taxable income, all tax credits and the Standard Rate Cut-Off Point will be given to him or her
- If both spouses have taxable income, they can decide which spouse is to be the assessable spouse and request their local Revenue Office to allocate the tax credits and Standard Rate Cut-Off Point between them in whatever way they wish. [PAYE tax credit, employment expenses and the basic Standard Rate Cut-Off Point of €26,400 are non transferable.]

Where the Revenue Office does not receive a request for the allocation of tax credits and reliefs in a particular way, it will normally give all the tax credits (other than the other spouse's PAYE and expense tax credits) to the assessable spouse. See paragraph on Standard Rate Cut-Off Point on Page 7 for information.

The assessable spouse must complete the return of income for the couple and is chargeable to tax on the joint income of the couple.

Allocating tax credits and Standard Rate Cut-Off Point using PAYE Online

Couples taxed under Joint Assessment can specify how they wish their tax credits and Standard Rate Cut-Off Point to be allocated between them via the Internet using our PAYE Online service. This means you do not have to contact Revenue to have changes made. Once you confirm the changes you want made, a new Tax Credit Certificate will issue within a few days with the amended details included. PAYE Online also allows you to claim a range of reliefs including Rent Relief, Home Carer's Tax Credit, Bin Charges, Health Expenses and many others as well as the facility to claim refunds for back years. For further information on PAYE Online including the full range of reliefs available please log onto **www.revenue.ie**.

How do we nominate the Assessable Spouse?

The couple themselves elect which of them is to be the assessable spouse. A verbal nomination made by either spouse is acceptable. [A form to enable the nomination to be made is included in the middle of this booklet.] While the nomination must be made to your local Revenue Office on or before the 31st March in the tax year, it should ideally be made before the commencement of the tax year i.e. 1st of January, to ensure that the correct tax credits and Standard Rate Cut-Off Point are allocated to each spouse from the commencement of the tax year.

What is the position if we do not nominate the Assessable Spouse?

In the absence of a nomination, the assessable spouse is the spouse with the highest income in the latest year for which details of both spouses' income are known. A spouse will continue to be the assessable spouse unless the couple jointly elect that the other spouse is to be the assessable spouse or until either spouse opts for either Separate Assessment or Assessment as a Single Person.

Repayments

Repayments arising from an end of year review will, in general, be apportioned and repaid on the basis of the tax paid by each spouse.

If one spouse is Self-Employed can Joint Assessment apply?

Yes. The flexibility that Joint Assessment affords can be very convenient where one spouse pays tax under PAYE and the other pays tax under the Self Assessment system. You can let your circumstances dictate whether most of the tax should be paid under PAYE or in a lump sum on assessment. This will be determined by the manner in which the tax credits are allocated. If you wish to pay most of your tax under PAYE, the tax credits, other than the PAYE tax credit and employment expenses, should be offset against the self assessment income.

Can Joint Assessment apply if only one spouse has taxable income?

Yes. Joint Assessment is the only practical option in this situation. All tax credits, reliefs and the Standard Rate Cut-Off Point are allocated to the spouse with the taxable income.

Return of Income Form

Only one form need be completed. This must be completed by the assessable spouse, showing both spouses' income and claiming full tax credits and reliefs.

Are Tax Credit Certificates issued to both husband and wife?

Yes. If both spouses are in employment, a Tax Credit Certificate is issued to each spouse. All of the tax credits and reliefs due to a married couple, where Joint Assessment applies, are shown on both spouses' certificates. Both certificates state the amount of tax credits and Standard Rate Cut-Off Point allocated to each spouse. Where either spouse has multiple sources of PAYE income, the amount of tax credits and Standard Rate Cut-Off Point allocated to each employment or pension is also shown on his or her certificate.

Separate Assessment

What is Separate Assessment?

Under Separate Assessment your tax affairs are independent of those of your spouse.

The following tax credits are divided equally between you:

- Married Tax Credit
- Age Tax Credit
- Blind Person's Tax Credit
- Incapacitated Child Tax Credit.

The balance of the tax credits are given to each of you in proportion to the cost borne by you. The PAYE tax credit and employment expenses, if any, are allocated to the appropriate spouse. Any tax credits, etc., other than the PAYE tax credit and employment expenses, which are unused by one spouse may be claimed by the other spouse. The tax credits may not generally be adjusted until after the end of the tax year.

What happens under Separate Assessment to tax credits not fully used by one spouse?

Any unused tax credits (other than the PAYE tax credit and employment expenses) and Standard Rate Cut-Off Point up to €44,400 can be transferred to the other spouse, but only at the end of the tax year. The increase in the Standard Rate Cut-Off Point of up to €26,400 is not transferable between spouses. If you think you have unused tax credits or Standard Rate Cut-Off Point, you should contact your local Revenue Office for a review after the end of the tax year. It is important to note that, overall, the amount of the tax payable under Separate Assessment is the same as that payable under Joint Assessment. See example on Page 11.

How do I claim Separate Assessment?

Separate Assessment can be claimed either verbally or in writing. The claim can be made by either spouse, and must be made in the six months between the 1st of October of the preceding year and the 31st March in the year of the claim. It cannot be backdated and it lasts until withdrawn. Whichever spouse initially makes the claim must also be the one to withdraw it.

What about Return of Income Forms?

Each spouse may complete a separate return of their own income. However, their local Revenue Office will accept one joint return (which can be made by either spouse) if it includes the income of both spouses.

Assessment as a Single Person (Separate Treatment)

What is Assessment as a Single Person?

Assessment as a Single Person, (also referred to as Separate Treatment) should not be confused with Separate Assessment. Under Assessment as a Single Person each spouse is treated as a single person for tax purposes.

Both spouses:

- Are taxed on their own income
- Receive tax credits and the Standard Rate Cut-Off Point due to a single person
- Pay their own tax
- Complete their own Return of Income form and claim their own tax credits. One spouse cannot claim relief for payments made by the other and there is no right to transfer tax credits or Standard Rate Cut-Off Point to each other.

How do I claim Assessment as a Single Person?

Assessment as a Single Person can be claimed either verbally or in writing. Either spouse can make the claim and the election lasts until withdrawn by the spouse who claimed it. A claim for Assessment as a Single Person, if required, must be made within the tax year (preferably at the beginning).

This basis of assessment can be unfavourable in some circumstances because any unused tax credits or Standard Rate Cut-Off Point cannot be transferred. Home Carer's Tax Credit cannot be claimed in respect of a spouse who cares for a dependent person and who may otherwise qualify for the relief. See example of assessment as a Single Person on Page 12.

Other Relevant Matters

Standard Rate Cut-Off Point

The Standard Rate Cut-Off Point for married couples for 2008 is €44,400 subject to an increase of up to €26,400 where both spouses are working. The increase is limited to the lower of €26,400 or the amount of the income of the spouse with the smaller income. This increase is not transferable between spouses. The increase in the Standard Rate Cut-Off Point in not allowable where a couple are claiming the Home Carer's Tax Credit. However, if the increased Standard Rate Cut-Off Point is more beneficial, you can claim the increased Standard Rate Cut-Off Point instead of the Home Carer's Tax Credit. In practice your local Revenue Office will grant you whichever is the more beneficial. Leaflet IT 66 'Home Carer's Tax Credit' gives further information and examples to help you calculate which is the most beneficial.

It is very important that you have the correct tax credits and Standard Rate Cut-Off Point as otherwise you will not pay the correct amount of tax.

Example:
Helen is the assessable spouse and she earns €46,000 in 2008. Her husband Jim has a Social Welfare pension of €8,500.
Their income is taxable as follows:

Helen	€44,400 @ 20%
	€1,600 @ 41%
Jim	€8,500 @ 20%

I am married and ceased employment some years ago. I am about to start a temporary job. What is my tax position?

The usual provisions on commencing employment will apply. As you won't hold a current Form P45, you should contact your local Revenue Office immediately so that the amount of your tax credits and Standard Rate Cut-Off Point can be ascertained and advised to your employer. This will enable your employer to deduct the correct amount of tax. You should also give your employer your PPS Number.

Your spouse is probably using all the tax credits and Standard Rate Cut-Off Point due to you as a married couple. If your employment is temporary it may not be worthwhile disturbing his/her tax credits for that year. You are entitled to a PAYE tax credit, expenses (if due in respect of your employment) and Standard Rate Cut-Off Point in your own right provided you qualify for them.

If your estimated income for the tax year is less than €26,400 you will pay tax at the standard rate. If your income for the tax year will exceed €26,400 your tax rate will depend on the level of your joint income (both spouses). See paragraph headed 'Standard Rate Cut-Off Point'. If you are in any doubt, contact your local Revenue Office to ensure you have the correct tax credits and Standard Rate Cut-Off Point.

If your spouse is not in receipt of taxable income you can claim all tax credits and the Standard Rate Cut-Off Point. Remember however, that in general, Jobseekers Benefit (formerly Unemployment Benefit) and Illness Benefit (formerly Disability Benefit) are taxable sources of income. [Additional information is available in Leaflets IT22 and IT24.]

If you are also a Home Carer you can have income up to €5,080 without affecting the Home Carer's Tax Credit. This tax credit is reduced where the income is over €5,080. Full details are available in Leaflet IT66 'Home Carer's Tax Credit'. In certain circumstances the increased Standard Rate Cut-Off Point may be more beneficial.

Is the position the same if I commence permanent employment?

Yes. If you decide you want the tax credits spread more evenly over the following year, you should notify your local Revenue Office in time before the beginning of the new tax year on the 1st of January.

If I cease my employment can I claim a refund of tax?

Yes, provided you have paid tax, the employment ceased before the end of the tax year and any tax payable on a payment from the Department of Social and Family Affairs is less than your tax credits. If you are receiving some or all of the tax credits due on Joint Assessment and you cease employment, you can transfer unused tax credits to your spouse instead of claiming a tax refund. Note that your own PAYE tax credit and employment expenses or the increase in the Standard Rate Cut-Off Point cannot be transferred.

Do I have the same Revenue Office as my spouse?

As a PAYE employee, your tax affairs are dealt with in the region where you live. However, if you are self-employed, your place of business dictates the region where your tax affairs are dealt with.

Any Revenue correspondence that you receive will show the contact address of your local Revenue Office or if you log on to our website **www.revenue.ie** and enter your PPS Number into our Contact Locator, the name, address and contact details of your local Revenue Office will be displayed.

Tax Treatment in Year of Marriage

Example:
John and Mary married on 10/7/2008. John earned €45,000 in **2008** and Mary earned €24,000.

Tax payable by John and Mary as Single People:

	John		Mary	
	€		€	
Income	45,000		24,000	
Standard Rate Cut-Off Point	35,400 x 20% =	7,080	24,000 x 20% =	4,800
	9,600 x 41% =	3,936		
		11,016		
Tax Credits				
Personal Tax Credit	1,830		1,830	
PAYE Tax Credit	1,830		1,830	
	3,660	3,660	3,660	3,660
Tax Payable		7,356		1,140

Combined Tax Payable	John	7,356
	Mary	1,140
		8,496

Tax payable by John and Mary under Joint Assessment as a Married Couple would be:

			€
Income		John	45,000
		Mary	24,000
		Total	69,000
Standard Rate Cut-Off Point			€
	John	44,400 x 20% =	8,880
		600 x 41% =	246
	Mary	24,000 x 20% =	4,800
			13,926
Tax Credits			
Married Tax Credit		3,660	
PAYE Tax Credit x 2		3,660	
		7,320	7,320
Tax Payable			**6,606**

The difference between the tax payable by John and Mary as single persons and the tax payable by them as a married couple is €1,890 i.e. €8,496 less €6,606. This amount of €1,890 is apportioned by the number of months for which they have been married in the tax year i.e. €1,890 x 6/12 = €945.

John and Mary can claim a refund of this €945 after the end of the tax year. The refund is apportioned between them in proportion to the tax payable by each of them as follows:

The amount to be repaid to John is:

$$\frac{€945 \times €7{,}356}{€8{,}496} = €\mathbf{818.20}$$

The amount to be repaid to Mary is:

$$\frac{€945 \times €1{,}140}{€8{,}496} = €\mathbf{126.80}$$

Similarities and differences between Joint Assessment/ Separate Assessment/Assessment as a Single Person

In the following examples the tax liability of Tony and Ann is shown under each option. The same figures are used in each example. Ann earned €48,000 in **2008** and Tony earned €25,000.

Joint Assessment

		€	
Income	Ann	48,000	
	Tony	25,000	
	Total	73,000	
Standard Rate Cut-Off Point	Ann	44,400 x 20% =	8,880
		3,600 x 41% =	1,476
	Tony	25,000 x 20% =	5,000
			15,356
Tax Credits			
Married Tax Credit		3,660	
PAYE Tax Credit x 2		3,660	
		7,320	7,320
Tax Payable			**8,036**

Separate Assessment

	Ann		**Tony**	
	€		€	
Income	48,000		25,000	
Standard Rate Cut-Off Point	35,400 x 20% =	7,080	25,000 x 20% =	5,000
Transferred from Tony	9,000 x 20% =	1,800		
	3,600 x 41% =	1,476		
		10,356		5,000
Tax Credits				
Personal Tax Credit	1,830		1,830	
PAYE Tax Credit	1,830		1,830	
	3,660	3,660	3,660	3,660
		6,696		1,340
Total Tax Payable		**8,036**		

The transferrable portion of the lower tax Standard Rate Cut-Off Point unused by Tony - €9,000 (i.e. €35,400 less €26,400) is transferred to Ann. Under both Joint Assessment and Separate Assessment, both spouses pay the same amount of tax overall.

Assessment as a Single Person (Separate Treatment)

	Ann		Tony	
	€		€	
Income	48,000		25,000	
Standard Rate Cut-Off Point	35,400 x 20% =	7,080	25,000 x 20% =	5,000
	12,600 x 41% =	5,166		
		12,246		5,000
Tax Credits				
Personal Tax Credit	1,830		1,830	
PAYE Tax Credit	1,830		1,830	
	3,660	3,660	3,660	3,660
		8,586		1,340
Total Tax Payable		**9,926**		

The tax liability is greater under Separate Treatment than under Joint Assessment and Separate Assessment due to the non-transfer of Tony's unused Standard Rate Cut-Off Point.

Further Information

This leaflet is for general information only. For further information you can visit **www.revenue.ie** or contact your Regional PAYE LoCall Service whose number is listed below (within ROI only)

Border Midlands West Region Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo, Westmeath	**1890 777 425**
East & South East Region Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford, Wicklow	**1890 444 425**
Dublin Region Dublin (City and County)	**1890 333 425**
South West Region Clare, Cork, Kerry, Limerick	**1890 222 425**

Please note that the rates charged for the use of 1890 (LoCall) numbers may vary among different service providers.

If calling from outside the Republic of Ireland, please telephone + 353 1 647 4444.

Revenue Commissioners
February 2008

Assessable Spouse Election Form

[Form to be sent to the local Revenue Office dealing with the individual who is to be the assessable spouse]

Husband's Name: | Husband's PPS Number:

Wife's Name: | Wife's PPS Number:

Address: | Date of Marriage: / /

	Wife	Husband
Estimated income for the current tax year	€	€

(a) We hereby jointly elect that (enter name of **Husband or Wife***) .... is to be the assessable spouse for the tax year (enter tax year e.g. 2008) and later years.

(b) We request that our tax credits and Standard Rate Cut-Off Point be allocated as follows:

	To Wife	To Husband
Tax Credits	€	€
Standard Rate Cut-Off Point	€	€

or

If you are already being taxed as a married couple and wish to have your tax credits and Standard Rate Cut-Off Point allocated as at present, please (✔) this box

or

If you wish to have your tax credits and Standard Rate Cut-Off Point divided equally between you, please (✔) this box

or

If you wish to have all transferable tax credits and Standard Rate Cut-Off Point allocated to the assessable spouse, please (✔) this box

Signed: ______________________ (Wife) Signed: ______________________ (Husband)

Date: ______________________

*Cases where wife is to be the assessable spouse

If you are nominated to be the assessable spouse and your PPS Number is the same as your husbands with the addition of a "W" (e.g. husband's PPS Number 1234567D, your PPS Number 1234567D**W**) you must first obtain your own Personal Public Service (PPS) Number from your local office of the Department of Social and Family Affairs so that you can be registered as the assessable spouse.