

# Understanding the Pay As You Earn (PAYE) Cycle



Educating, Developing & Representing



**Irish Taxation  
Institute**

### **About the Author**

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### **About the Registered Tax Consultants**

Registered Tax Consultants are the experts in providing commercially focused tax advice to business and individuals. They also possess in-depth knowledge of all taxes operating in Ireland as well as the incentives and reliefs available. Only holders of the AITI (Associate of the Irish Taxation Institute) qualification who are current members of the Irish Taxation Institute can use the title “Registered Tax Consultant”. For more information visit [www.taxireland.ie](http://www.taxireland.ie).

# Understanding the Pay As You Earn (PAYE) Cycle

If you are an employee in Ireland, you must pay income tax through the pay as you earn (PAYE) system, which means that your employer deducts tax from your salary every time you are paid.

## Stage 1: Entering the PAYE System

### I'm Starting Work for the First Time. What do I Need to do in Relation to Tax?

If you are starting your first job, or you've moved to Ireland and have got a job, you need to take the following steps:

1. If you don't have a PPS (Personal Public Service) number, for example if you moved to Ireland from another country, you will need to apply for one from the Department of Social and Family Affairs.  
Give your new employer your PPS number. They will let the tax office know that you have started working.
2. Apply for a certificate of tax credits using a Form 12A, which you can download at [www.revenue.ie/forms/form12a.pdf](https://www.revenue.ie/forms/form12a.pdf). Ask your employer for their PAYE number, as you need to include this on the form. Send the completed Form 12A to your tax office. If you don't know where your tax office is, go to <https://www.revenue.ie/wiclo/details.jsp> and insert your PPS number. You will be able to view your tax office contact details.

## I have now received my certificate of tax credits from the tax office. What does it mean?

The certificate shows your tax credits and your standard rate cut-off point for the tax year. Your employer is also sent a copy of the certificate.

### Tax credits:

- » Your tax credits are deducted from your gross tax to arrive at the actual amount of tax that you have to pay.
- » Even if you start working during a tax year, you will be entitled to a full year's tax credits.

### Standard Rate Cut-Off Point

- » Tax is paid at the standard rate (currently 20%) up to the cut-off point.
- » Any income over the cut-off point is taxed at the higher rate of tax (currently 41%).

### Example

Mr. Black is single and is paid €40,000 in 2009. His gross tax (before deducting credits and relief) is calculated as follows:

€36,400* @ 20%	=	€7,280
€3,600 @ 41%	=	€1,476
Gross tax	=	€8,756

\*The standard rate cut-off point for a single person in 2009

### TIP

Complete these steps as soon as possible after accepting the job, so that your employer and the tax office can get your tax affairs in order before your first payday

## My certificate of tax credits is missing some credits. What should I do?

Contact your local tax office and inform them of the mistake, and they will send you an amended certificate.

## I've just started my first job and I'm paying emergency tax – why?

This is because your employer hasn't received a copy of your certificate of tax credits yet. If you haven't given your PPS number to your employer either, you will be taxed at 41% and you won't get any tax credits.

If you have given your PPS number to your employer, you will be given a tax credit of €152 for the first month you work, but no tax credits from then on. Your standard rate cut off point will be €3,034 for the first two months, but from month three onwards you will be taxed at 41% on all of your income.

Once your employer receives your certificate of tax credits and your PPS number, you will be taken off the emergency basis of tax, and you will receive a refund of the emergency tax that you paid.

## Apart from PAYE, does my employer deduct anything else?

Yes. Your employer will also deduct PRSI (social security deductions) and income levies. For further information, please see our Guide to PRSI and Health Levy leaflet.

## Stage 2: Ongoing Issues While Remaining Within PAYE System

At the end of last year, my employer gave me a form P60. What is it?

Your P60 is a record of your gross salary, and the income tax and PRSI (Pay Related Social Insurance) deducted from you during the year. If your tax liability for the year needs to be reviewed, you will have to send one part of the form to your tax office. If you are claiming a social welfare benefit, you may have to send the other part of the P60 to your local social welfare office to prove that you have paid PRSI.

Do I get a new certificate of tax credits each year?

Yes. It should be sent to you within the first few months of each tax year. Always check it to make sure you are receiving your full entitlements. If you haven't received a certificate of tax credits, check the Revenue website ([www.revenue.ie](http://www.revenue.ie)) for an update, or contact your local tax office.

### TIP

Check your payslips to make sure the emergency tax is correctly refunded to you.

## I think I may be due a tax refund. What should I do?

You should wait until the end of the year and then complete a Form 12, (which you can download from [www.revenue.ie/forms/form12.pdf](http://www.revenue.ie/forms/form12.pdf)) and send it to your tax office.

If you are due a tax refund on health expenses you must complete a Form Med 1 and send it to your tax office. For further information, please see our Understanding Health Expenses leaflet.

### TIP

Always quote your PPS number when dealing with your tax office, as this should speed things up.

## I'm changing jobs soon. Is there anything I need to do?

Your employer should give you a Form P45 when you leave your job. You must give this form to your new employer, or else they will apply emergency tax to your salary.

## Stage 3: Leaving the PAYE System

### Temporarily

#### I have just become unemployed. Can I claim a tax refund?

In order to claim any tax refund due, you must wait a minimum of four weeks. You should then send the following forms to your tax office:

- » Form P45: Your former employer should have given this to you
- » Form P50: Download at [www.revenue.ie/en/tax/it/forms/p50.pdf](http://www.revenue.ie/en/tax/it/forms/p50.pdf)

### Permanently

#### I am Polish and have worked in Ireland for the last two years. I intend to leave my job and return home permanently this year. How do I claim any tax refund due to me?

If you leave your job during a tax year, you may be entitled to a tax refund. This depends on factors such as your level of earnings, how much tax you paid, and when you leave. Your employer should give you a Form P45 when you leave your job. Send this form and Form P50 to your local tax office (also advising them that you have returned permanently to your home country), and they will calculate any tax refund due to you.

**TIP**

Your P45 is very important. If your employer doesn't give it to you when you are leaving your job – ASK FOR IT.

**TIP**

Make sure to give your tax office a forwarding address if you are leaving the country, so that they can send on any refund due to you.

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