

Standard Rate Cut-off Points

There are two types of rate bands, Lower taxed at 20%, then there is the higher (41%) which is the balance between an individuals Total Income and the lower Tax Band.

Singled/Widowed Person

First €35,400	20%
Balance	41%

One Parent Family

First €39,400	20%
Balance	41%

Married Couple (One Income)

First €44,400	20%
Balance	41%

Married Couple (Two Incomes)

First €70,800	20%
Balance	41%

Note that $(€70,800 - €44,400) = €26,400$.

. This means that the 2nd earner may earn income up to €26,400 and be taxed at 20%. It does NOT MEAN THAT JUST BECAUSE THE 2ND EARNER HAS AN INCOME (SAY €5,000) THAT THE COUPLE NOW HAVE A LOWER RATE BAND OF €70,800.

Tax Credits

An individual usually is entitled to tax credits based on their personal circumstances

All of the actual tax credits will be given to you in your exam (as on page).

I will discuss some of the more basic (and very important) tax credits below.

Single Person (1,830)

Every person is entitled to this credit.

Married Person (3,660)

When married people opt to be taxed jointly (most do, you **may** pay less tax than two single people) then the individual who is assessed is entitled to claim this credit.

Widowed and single parents (1,830)

Single parents are entitled to claim this credit **along** with the single person credit.

Question 1 :

John is single, self-employed and has a earned €53,000. Calculate his tax.

Income

Tax

	@ 20% =	
	41%	

Less Tax Credits

Tax payable ()

Example (married couple both PAYE worker):

Mary has a salary of €50,000, John has a salary of €16,000. Calculate tax . Mary and John are assessed to tax on a JOINT BASIS.

Income

Salary - Mary	50,000
Salary - John	16000
	66,000

Tax

44,400	20%	8,880
5,600	41%	2,296
16,000	20%	3,200

66,000	14,376
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Less Tax Credits

Married Couple	3660
PAYE (MARY)	1830
PAYE (john)	1830
	7320

Tax payable **7,056**

Question 2 (married couple both PAYE worker) 2 :

Mary has a salary of €14,000, John has a salary of €16,000. Calculate tax . Mary and John are assessed to tax on a JOINT BASIS.

Income

Salary - Mary	
Salary - John	

Tax

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Less Tax Credits

Tax payable	
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Question 3: (married couple both PAYE worker)

Mary has a salary of €31,000, John has a salary of €60,000. Calculate tax . Mary and John are assessed to tax on a JOINT BASIS.

Income

Salary - Mary	
Salary - John	

Tax

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Less Tax Credits

Tax payable	
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MORE TAX CREDITS

(Important: all rate bands and tax credits will be given to you in the exam)

Credit	Amount €
Blind person	€ 1,830
Blind person (both spouses)	€ 3,660
Age Credit:	
Single:	€ 325
Married:	€ 650
Trade Union Subs (any amount paid to a credit union during the tax year)	€ 70
Incapacitated child: (child = under 18 - or if over 18 was incapacitated by age of 21 or still in full-time education - the credit can be shared if the parents are not married, apportioned on % spend on child)	€ 3,660
Dependent Relative: (can be claimed by a person who maintains a relative of his or his wife at his own expense - so long as the relative does not have income more then €13,473 per year)	€ 80
Rental Credit	
Under 55	
Married: (max = €4,000 *20%)	€ 800
Single: (max = €2,000 *20%)	€ 400
Over 55	
Married: (max = €8,000 *20%)	€ 1,600
Single: (max = €4,000 *20%)	€ 800
Note: up-keep at family hone is excluded	
Note: If an person paid less then the max amount allowable the relief would be scaled down, E.G. single persons rents for one month in 2008 and pays €1,000 - relief would be €1,000 * 20% = 200	
Third Level Fee's: (paid for yourself or ANY other person - subject to a max of €5,000 * 20%)	
Training Course: (IT & language) Subject to max of €1,270 * 20% - Must be at least €315	
Service Charges (Rates - Bin collection etc) (max = €400 *20%)	
Based on amount PAID in previous year: Exam question will always give payments for 2007 and 2008 (choose 2007)	
Home Career's Credit	€ 900
Married couple: one parent stays at home to care for child/incapacitated/Elderly person Only one credit available (no matter how many children) Relative that resides nearby Important: can <u>NOT</u> claim rate bands for two couple income and home career's credit Thus Credit not worth claiming if Career earns more than €2,195 (€900/.41) and Main earner earns more than his/her S.R.C.O.P Career Credit is lost if Careers income is more than €5,080 There is one year grace for the above, so if you where entitled to credit in 07 you have the option to claim it in 2008	
Widow parent (claim instead of single person AND in addition to Lone Parent	
1st year after Bereavement	€ 4,000
2nd year after Bereavement	€ 3,500
3rd year after Bereavement	€ 3,000
4th year after Bereavement	€ 2,500
5th year after Bereavement	€ 2,000

Relief differ from credits in that they are subtracted from your income before the tax is calculated as opposed to being given as a credit against the calculated tax
 The only effect of this is that if you pay tax at the Higher/Marginal Rate , then you will get a bigger tax saving. For example Simon is single, PAYE worker and earns €40K per year;

1K given as a tax credit

Income

Salary 40,000

Tax

35,400	20%	7,080
4,600	41%	1,886
40,000		8,966

Less Tax Credits

Single Person	1830
Credit (1,000 * 20%)	200
PAYE	1830
	3860

Tax payable **5,106**

1K given as a relief

Income

Salary 40,000

Relief

Misc Relief	1,000
Taxable income	39,000

Tax

35,400	20%	7,080
3,600	41%	1,476
39,000		8,556

Less Tax Credits

Single Person	1830
PAYE	1830
	3660

Tax payable **4,896**

You can see that the difference between the two is worth €210 (5,106-4,896). Which is exactly 21% of €1k (41% -20%). So if you pay the higher rate of tax relief's are worth more to you.

Relief's

Medical Expenses (drugs, doctors, hospital stays, non-routine dental, nursing home)

Paid for by you for ANYONE

Applies to similar activities performed out-side of the state

Any amounts covered by or refunded by health Insurance companies are deducted

Permanent Health Insurance

Subject to a max of 10% of Total Income

Benefits of the scheme will be taxable in PAYE system

Employment of Career for Incapacitated Person

Family Member Old Age/infirmity

Subject to a MAX of €50,000

Limit can be split between family members (if it is for the same person)

Pensions

The older you are the more relief you are allowed

Age % Net Relevant Earnings (N.R.E)

up to 30		15
over 30 under 40		20
over 40 under 50		25
over 50 under 55		30
over 55 under 60		35
over 60		40

N.R.E = Trade Profits (case 1), Professional Profits (case 2), Employment Income & Benefits (scheme)

Less: Capital allowances and charges (you will encounter these later). The main thing to remember is that it excludes all investment income, such as rents, interest, dividends and capital gains on investments

Subject to MAX N.R.E of €275,238 in 2008

If an individual contributes more than the % above for their age, we can only give relief for the max amount in the tax computation. The balance can be brought forward to future tax years

In an exam question you may be faced with unused pension relief brought forward. You should just add it to the contributions made during the year.

Tax years runs from 1st Jan to 31st dec. But you are entitled to pensions tax relief made on ADDITIONAL/TOP-UP payments made in the following year up to the 31st of October that year. This is one of only a few ways that a taxpayer can reduce their tax bill AFTER the TAX Year has ended.