

## 8. INCOME TAXES AND CONTRIBUTIONS

As defined in the Maastricht Act, the European Union prohibits double taxation. Therefore, E.U. citizens that pay their taxes in Ireland don't have to do so in their home country. This is usually valid for other non-E.U. countries, but you should ask your Embassy if Ireland has signed an agreement (called DTA, Double Taxation Agreement) on this subject with the country where you are citizen in order to avoid double taxation (at the moment Ireland as an agreement with 37 countries).

If you come to Ireland as a full-time student only, and you don't have the intention to work, you don't have to pay any taxes. But as soon as you decide to accept a job, even if part-time, you are subject to follow the right procedure completely. The Irish tax system is not as complicated as it may appear at first glance; if you understand it, you can be sure that it will work for you, but if you are not aware of all the tricks, then you may pay more taxes than you should.

If you don't work on your own, but you have someone that employs you, you will be familiar quite soon with this acronym, P.A.Y.E., which means: Pay As You Earn. Your employer deducts your taxes from your paycheque at the origin, so you don't have to worry about it.

With P.A.Y.E., you have an annual Tax-free allowance for a certain amount of pounds (the basic is IR£ 5,700 (€ 7,237.71) in this year 2000/2001), then you pay 22% on the balance up to 17,000, and 44% on all the remaining balance. Obviously, the percentage of taxes deducted from your first salary is the same as the one deducted from the last one, unless your employer has revisited your total income.

Usually your employer knows very well what to do, but not always. So, I suggest you to spend a few hours trying to understand what you are doing, instead

of not caring about it until you realise that someone made some mistakes on your behalf!

Another reason to pay attention is that the Revenue Office employee issues you a certificate with a standard tax-free allowance (starting from when you begin working), that is OK if you plan to stay in Ireland for a couple of months. But if your goal is to stay in the country for at least two or three years, you should get a better deal asking for the certificate with a starting date from the beginning of the tax year. We'll be back on this subject later on as this matter needs to be focused on really well.

### 8.1 Obtaining An R.S.I. Number

Now, it's time to start from scratch: how to get an R.S.I. number? Let's start saying that you become a part of the taxation system only when you receive an R.S.I. (Revenue and Social Insurance) number that will identify you all life long.

*Step 1.* It's really easy and quite fast: just call the customer service agents of the Revenue and Taxation Office at 878-0000 and tell them that you have to apply for a R.S.I. number. Give them all the details that they require, such as your date of birth, sex, mailing address, etc. Tip: ask them to mail you all their informational brochures. It's free and very helpful.

*Step 2.* In a couple of days you will receive an application form called 12A, which you should fill out accurately and return to the office as soon as you can. Don't forget to check your personal details to see if the spelling is correct. Remember that to fill out the application you need some important information from your employer: their Employer Number and Unit Number. Once you get this information from your employer, you can mail the application to the Revenue

Office (you can also carry it personally, but if you work a normal shift (9-5) you won't find it easy to get there during their business hours. Usually, from when they receive the application, it takes 2 to 5 weeks to issue you a new R.S.I. number

*Step 3.* In due time you will receive your Tax-free allowance document, with your R.S.I. number, and the other information about your employer. A copy of that document will have been sent to your employer, so they will know the amount of taxes to deduct from your paycheck. The hardest part of the job has been done, but you still need to review some details to be sure that your rights have been guaranteed.

*Step 4.* Check the printed line under the title, where it says: "for the year 2000/2001 only commencing on..." Here comes the trick that we were discussing in the introduction: if you stay here more than one year, you should have a certificate issued from the 6<sup>th</sup> of April 2000. Otherwise you will have the same certificate issued only from the date in which you started your first job and you first applied. To see what makes the difference, take a look at paragraph 2.3, and you will understand why it's important to check this information. If you think that the wrong certificate has been issued to you, feel free to contact the number printed at the bottom on the left, and ask to be put through to your unit. They will review all the information for you.

Now that you have got your R.S.I. number, as well as your employer, and have checked to be sure that all the information are correct, you can try to understand something more about what and how much you will pay in taxes on your next paycheck.

## 8.2 Emergency Taxes

If the tax office is late in sending you the R.S.I. number, it could be because your employer, in the need to pay you on time, put you under the emergency taxation, that is the standard or high rate for everyone. Usually you shouldn't pay the emergency rate for more than one month, because as soon as your employer gets your tax-free allowance certificate, they will deduct the right tax from then. To claim a refund on emergency taxes, see the appropriate paragraph.

## 8.3 What Is A Tax-Free Allowance?

A tax-free allowance is that amount of money for which you don't have to pay any taxes. Let's say that with the new fiscal law, a single person has a personal tax-free allowance of IR£ 4,700 -€ 5,967.77- plus IR£ 1,000 -€ 1269.74- as a PAYE allowance). S/he has to pay 22% in taxes of the balance from IR£ 5,700 (€ 7,237.51) and IR£ 17,000 (€ 21,585.55). If the total income is higher than IR£ 17,000, the taxes on the balance are 44%.

What does all this mean? That your monthly percentage is calculated on a theoretic base according with your total yearly income, so every month you will pay the same percentage, which is an average of the tax-allowance free and the following percentages.

Whenever your total income changes, it will also change your taxation, but your employer will take care of this and make the necessary adjustments on your paycheques.

#### 8.4 Changing Jobs Or Going Back To Your Country Of Origin

What happens if you change jobs? It's quite easy. You have to ask your old employer to give you a certificate called P45 at the end of your employment. Then you must give the P45 to your new employer and they will ask the revenue Office to issue a new one for you with the updated details about the new salary and employer, that you will receive in your mail and so will do your employer.

If you stop working and don't want to work again, ask your employer for the P60, which is a summary of all the taxes paid during the current tax year.

#### 8.5 Being Temporarily Unemployed

Should you happen to be unemployed for a certain period of time, you need to have your tax-free allowance revisited, because your total gross income is now different from the initial evaluation, so you can be refunded at the beginning of the following tax year for all the taxes that you paid in excess. The tax office needs to be notified of your current situation of unemployed and will issue you a new tax-free allowance according to the new parameters.

#### 8.6 Claiming A Tax Refund

If you think that you paid more taxes than you should have, ask the Revenue Office to send you the P50 form to claim a tax refund. Send both forms

(P50 and P60) to the Tax office and at the end of the tax year you will have your refund, if you were indeed qualified for it.

The easiest way to get a refund: if you were put in the emergency taxation (see) and you paid a higher tax than what you owed, you should notify your employer about this, which will claim the refund for you, serving as an intermediate between you and the tax office. The employer will refund you directly on your following paycheque.

Anyway, be aware that having a valid bank account will help you save time when you are waiting for a refund.

#### 8.7 Deductions And Relieves

You have to remember that you can pay less in taxes if you rent an apartment or have to pay for a loan. Ask your local Tax Office for the form Rent 2 to be filled out and returned in order to claim the refund. You can deduct part of the money that you pay for the rent from your total income, so you will pay taxes at a lower rate. In order to qualify for this deduction, you either need to rent from an agency or to have an official contract with a house-owner. Otherwise you can also communicate the name of the landlord/landlady to the tax office and the office will go ahead and contact these persons. The problem is that if you are paying the rent under the table, and there's nothing official in writing, your landlord may have troubles that can work against you, and he/she may want to terminate the lease.

The one who rents an apartment should declare it and pay taxes on this additional form of revenue. Therefore, if s/he doesn't, s/he may not want the tax people to know it, so s/he won't let you give them his/her name and address. You can do it, but you can probably be asked to move to another house! So, if your rent

is paid regularly to an agency or your landlord is officially paying his/her taxes, go ahead and call the tax office, otherwise you better not do it, since the money that you'll save won't be worth the move to another apartment (with the new fiscal year you save 22% of IR $\text{\pounds}$  750 -€ 952.30).

Let's say that the law allows you to declare a maximum amount of IR $\text{\pounds}$  750 per year for the rent expenses. That means that you won't pay taxes on this IR $\text{\pounds}$  750, thus lowering your total income. At the end of the year you will have saved IR $\text{\pounds}$  165 (€ 209.51). You can decide whether it's worth it or not.

Another easy deduction is the money that you spend for medical expenses and insurance. If your employer offers you a private insurance such as VHI (usually you pay only a little percentage and your employer the rest), you can claim back the money paid for the premium at the end of the tax year. In addition, any medical expenses above IR $\text{\pounds}$  100 (€ 126.97) not covered by the insurance, will be deductible from your taxable income.

To be able to make these deductions from your taxes, call the revenue office and ask them to send you the relative application form, that you will fill out and return to them. Quite easy, isn't it?

## 8.8 P.R.S.I.

When you receive your first payslip, you will be surprised to see that other taxes have been deducted from your gross salary, thanks to the P.R.S.I. And this will happen every month. The P.R.S.I. (Pay-Related Social Insurance) requires everyone to pay a percentage of his/her salary (usually around 4-6%). Your contribution will be held for the Social Insurance Fund, the Health Contribution and the Employment and Training Levy (the latter abolished from April 1999). You

can benefit of this fund for disability benefits, invalidity, optical or dentists care as well as for maternity leaving and several others health-related issues. To be able to claim these benefits, you need to call the Department of Social, Community and Family Affairs and ask them to send you the relevant application. For more detailed information on P.R.S.I. check chapter 9.

## 8.9 Tips

First of all, get familiar with the tax office. The people who work there are really nice and pleased to help you with any query. Call them instead of going to the office; you will save a lot of time.

Check your tax-free allowance certificate as soon as you get it, and if there is something wrong, call the office. Remember to regularly check every payslip that you receive. If you don't receive them, ask your employers why. The payslip is also a proof of the taxes that you pay monthly, so you should have a copy of it. Some frequent abbreviations that you will find in the payslips are YTD (Year To Date), TFA (Tax-Free Allowance), INS WKS (Insured Weeks, referred to the P.R.S.I. weeks paid), the P.R.S.I. code (see chapter 9), DEDS (Deductions).

Ask your employer if the company has a tax consultant. S/he usually comes once or twice a month and is available to listen to employee's problems and questions, and can often call the tax office if something has been misunderstood.

After probably one month you should receive a plastic card by mail from the Social Welfare Service with your name and R.S.I. number embossed on it. Keep it with you; it's useful any time you call the tax office to remember your number.

Something about the Custom policy: good purchased abroad and imported in Ireland are subjected to importation & custom taxes. Before buying

something like laptops, stereo, cameras, TV or cars abroad, contact the Customs & Excise Offices to know what are your responsibilities. Generally, a way to avoid these taxes is to be registered by your Embassy in the list of the citizens living permanently abroad and renouncing to the residence in your country (but obviously not to your rights as a citizen!)

## 8.10 Contacts:

### **Department of Social, Community and Family Affairs, Store St.**

*Information* 01 874 8444

*Sickness Benefits* 01 679 7777

**PRSI Information** 01 704 3874

<http://www.welfare.ie>

### **Revenue Office**

**RSI number registration** 01 704 3281

*Information Office* 01 878 0000

*Forms and leaflets* 01 878 0100

<http://www.revenue.ie>

Dublin PAYE 1

(Units 555 to 558) Arus Brugha 9/15

Upr., O'Connell St., Tel. 01 874 6821

Dublin PAYE 2

(Units 655 to 688) Lwr. Mount St.

Tel. 01 661 6444

Dublin PAYE 3

(Units 755 to 788) Lwr. Mount St.

Tel. 01 661 6444

Dublin PAYE 4

(Units 955 to 988 & AONAD 880)

Upr. O'Connell St., Tel. 01 874 6821

**Revenue Office, Self-employment Section**

9/15 Upr. O'Connell St., Tel 01 874

6821

**Revenue Office, Customs & Excise**

*Offices*, Custom House, Tel. 01 873 4555

*Office of the Revenue Commissioners*,

Dublin Castle, Dub 2

Tel. 01 679 27