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Income Levy Recalculation

This recalculation occurs when you process the employee reaches 52 insurable weeks in this tax year. (The recalculation occurs in this pay period only. If there is a subsequent extra pay period, this is processed as normal.)

Where an employee is in continuous employment with a particular employer throughout the entirety of the year, the employer should make adjustments to Income Levy liabilities when the employee belongs to one of the Income Levy-exempt categories:

- Under-65 minimum threshold not exceeded
- Individuals liable at a lower rate(s)
- Individuals aged 65 or over
- Full medical card holders

The Income Levy recalculation will not take place if the relevant employee was added to the system in 2009 in a mid-year setup. Any such cases will be reported in the Control Summary.

Under 65 – Threshold not Exceeded

This means that the employee's Gross Income for the tax year is less than €15,028, so the employee is exempt from the Income Levy.

If Income Levy was deducted for any pay period in the tax year, a full refund of this amount is due to the employee.

The system determines whether the employee is subject to Income Levy by calculating the Gross Income values for this tax year:

- It sums the existing Gross Income values for each pay period in the Employee Details window's Tax Deduction Card.
- It adds this value to the employee's Gross Income value in the current pay period to determine the Gross Income This Year value.
- If the Gross Income This Year value is less than €15,028, then any Income Levy values deducted during the year should be refunded to the employee in this pay period.

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The original threshold for Jan to Apr 2009 was €18,304. However, the €15,028 limit set in the Supplementary Budget of 2009 will apply for the whole of the 2009 tax year.

Over 65 – threshold not exceeded

This means that Gross Income for the tax year is less than €20,000, and the employee will reach the age of 65 on or before Dec 31, 2009. In this circumstance, the employee is exempt from the Income Levy.

If Income Levy was deducted for any pay period in the tax year, a full refund of this amount is due to the employee.

The system determines whether an employee in the relevant age group is subject to Income Levy by calculating the Gross Income values for this tax year:

- It sums the existing Gross Income values for each pay period in the Employee Details window's Tax Deduction Card.
- It adds this value to the employee's Gross Income value in the current pay period to determine the Gross Income This Year value.
- If the Gross Income This Year value is less than €20,000, then any Income Levy values deducted during the year should be refunded to the employee in this pay period.

Full Medical Card Holder

Employees with **Full Medical Cards** are exempt from the Income Levy.

If an employee was in possession of a Full Medical Card at any point during the tax year, they are **exempt from the Income Levy for the entire year**.

An employee who started the year without a Full Medical Card may have paid Income Levy contributions during the year. So if they subsequently obtained a Full Medical Card, their Income Levy contributions must be refunded to them when they reach 52 insurable weeks.

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An Employee Paid Income Levy at a Rate Higher than they are Liable to

Suppose that an employee's pay rate increased for a number of pay periods, pushing them up to a higher Income levy rate, but over the full year the employee is liable to a lower rate. Any overpayment of Income Levy in the year must be refunded to the employee when they reach 52 insurable weeks.

The following pay period thresholds for each Income Levy rate are multiplied by the number of pay weeks in the relevant part of the year.

This determines how much of the employee's pay should be calculated at each Income Levy rate.

Thresholds from Jan 1 2009 to 30 April 2009 (Budget 2009):

Weekly Threshold

- Rate 1 = €1,925
- Rate 2 = €4,810

Monthly Threshold

- Rate 1 = €8,342
- Rate 2 = €20,844

Thresholds from May 1 2009 to Dec 31 2009 (Supplementary Budget 2009):

Weekly Threshold

- Rate 1 = €1,443
- Rate 2 = €3,365

Monthly Threshold

- Rate 1 = €6,253
- Rate 2 = €14,582

Suppose that a Weekly employee is under 65 and has exceeded the Income Levy threshold for 2009 of €15,028.

Their total income for the year is €84,000, broken down as follows:

- 18 pay days in the period 1 January 2009 to 30 April 2009: Gross Income = €29,500
- 34 pay days in the period 1 May 2009 to 31 December 2009: Gross Income = €54,500

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Total Income Levy paid by the employee this year: €1,545.00, broken down as follows:

- Income Levy paid from Jan 1 2009 to 30 April 2009 (Budget 2009) = €295.00
- Income Levy paid from May 1 2009 to Dec 31 2009 (Supplementary Budget 2009) = €1,250.00

Let's see how the recalculation is carried out by the system to check whether the amounts above are correct.

Recalculation for period from Jan 1 2009 to 30 April 2009 (Budget 2009):

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

Recalculation for period from May 1 2009 to Dec 31 2009 (Supplementary Budget 2009):

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

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Income Levy due in this period:

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

Income Levy due in this period = €981.24 + €217.52 = **€1,198.76**

Total income levy due for 2009:

€295 + €1198.76 = **€1493.76**

Refund due to the employee arising from Income Levy overpayment:

€1,545.00 - €1198.76 = **€51.24**

The €51.24 refund will be incorporated into the normal Income Levy item in the employee's current payslip, and will be flagged by an explanatory note.

So, for instance, if the employee was liable to a normal Income Levy amount of €20 in period 52, the €51.24 would be subtracted from this, leaving the current payslip's Income Levy item with an amount of -€31.24. The explanatory note would explain that the employee received an Income Levy refund of **€51.24**.

Please note

- If the Income Levy recalculation determines that the employee has underpaid Income Levy over the year, the discrepancy will not be highlighted in their payslip. Underpayments will be dealt with directly by the Revenue Commissioners.
- Only employees who have been in continuous employment with the company throughout 2009 will be refunded an Income Levy overpayment in the manner described above. Other employees entitled to an Income Levy refund must apply to the Revenue Commissioners.