



PAYE

NOTICE TO EMPLOYERS

Introduction

This PAYE Notice sets out details of:

- New design of Tax Credit Certificates 2006
- New Form P45
- Emergency Basis of Tax Deduction 2006
- Personal Public Service Numbers
- Computer Diskette Services Withdrawn
- Changes in PRSI

New Design of Tax Credit Certificates 2006

A full issue of tax credit certificates or tax deduction cards, incorporating the increases announced in the December Budget, will be sent to you for all your employees in January 2006. The tax credit certificates this year incorporate a new design and contain the following essential information to enable you operate PAYE:

- The rates of tax payable by the employee
- The amount of the employee's tax credits
- The amount of the employee's Standard Rate Cut-Off Point

Employers are also reminded that, with effect from January 2006, when a new employee commences in your employment, the pay and tax details from their previous employment will be included on the tax credit certificate (paper and electronic) or tax deduction card issued to the new employer. Otherwise, the tax credit certificate or tax deduction card will be issued on a week/month 1 basis. The use of the FS19 letter to advise employers of these pay & tax details is discontinued.

The rates of tax applicable to each employee are now shown on the tax credit certificate. Most employees are liable at 20% and 42%. For employees/pensioners who are entitled to Tax Exemption & Marginal Relief, the 40% rate is shown on the tax credit certificate. An employee's entitlement to Marginal Relief is decided by Revenue - the employer should just operate tax in accordance with the tax credit certificate issued.

There is no change to the 2006 tax deduction card apart from the inclusion of previous pay & tax details, as explained above.

Revenue has received a number of queries from employers regarding the inclusion of employee pay and tax details on tax credit certificates. A list of the Frequently Asked Questions on 2006 Tax Credit Certificates and the answers given by Revenue is available on www.revenue.ie. Check the website home page - Information for Businesses, Employers section.

Please advise employees that Tax Credit Certificates will be issued in late January/early February 2006 - **certificates are issued to employers first and thereafter to individual employees**. In the circumstances, employees need not contact Revenue to obtain a 2006 Tax Credit Certificate - certificates will be automatically posted out to all PAYE customers as quickly as possible.

New Form P45

The Form P45 has been redesigned to provide employers with the facility to document clearly any refund of tax from a previous employment made to an employee. The main change is the inclusion of an additional box beside the *Pay & Tax in this employment* fields.

The layout of the Form P45 has also been streamlined to facilitate the Revenue data capture process.

Care should be taken in the completion of the Form P45 - all appropriate sections of the form should be completed in a legible manner in BLOCK CAPITALS using a black ink pen. This will reduce the necessity for Revenue staff to contact employers to clarify or check data.

Note: Employers are obliged to complete either the prescribed paper Form P45 produced and issued by Revenue or to submit their Forms P45 (Part 1) electronically through the Revenue On-Line Service. Employers are advised that, for security reasons, a facsimile or pro-forma version of the Form P45 is not accepted by Revenue as a valid employee cessation certificate.

Save Time

**File P45s online
using the Revenue
On-Line Service**

www.revenue.ie

Emergency Basis of Tax Deduction 2006

The emergency basis must be used when:

- The employer has not received, in respect of the employee, either a Certificate of Tax Credits and Standard Rate Cut-Off Point or a Tax Deduction Card for the current year or a Form P45 for the current year or previous year, or
- The employee has given the employer a completed Form P45 indicating that the emergency basis applies, or
- The employee has given the employer a completed P45 without a PPS number and not indicating that the emergency basis applies

Tax is calculated on the gross pay (after deduction of Pension contributions and permanent health contributions where relevant). Different rules apply depending on whether or not the employee provides an employer with his/her PPS Number.

The tables below outline the tax credits and cut off points applicable. The standard rate of tax is 20%. The higher rate of tax is 42%.

A. Where Employee does not provide a PPS Number

Where an employee does not provide a PPS Number, the higher rate of 42% applies to all earnings.

Week or Month	Standard Rate Cut-Off Point	Tax Credit
All	€0.00	€0.00

B. Where Employee Provides a PPS Number

Where an employee provides a PPS Number, the tax credits and cut-off points in the table below apply.

Weekly paid	Weekly Standard Rate Cut-Off Point	Weekly Tax Credit
Weeks 1 to 4	€616	€32
Weeks 5 to 8	€616	€0.00
Week 9 onwards	€0.00	€0.00

Monthly Paid	Monthly Standard Rate Cut-Off Point	Monthly Tax Credit
Month 1	€2,667	€136
Month 2	€2,667	€0.00
Month 3 onwards	€0.00	€0.00

Circumstances will arise where, for example, an employee starts employment without a PPS Number, provides it in say week 3, but still has not provided a P45 or Tax Credit Certificate. As the PPS Number has been provided, tax should be applied at Week 3 per the schedule listed above and continued into week 4 and 5 etc, as appropriate, until such time as a P45 or Tax Credit Certificate is provided.

Personal Public Service Numbers

On commencement of employment, employers must take reasonable measures to verify that the PPS number provided is a valid one and that it refers to the employee who provided it. The employer will be regarded as having taken reasonable measures where he or she checks the PPS number provided against any of the following documents:

- A Certificate of Tax Credits and Standard Rate Cut-Off Point in respect of a previous employment
- A Form P45
- A Social Welfare Services Card or PPSN Registration Letter issued by the Department of Social and Family Affairs
- A Notice of Assessment to Income Tax or Capital Gains Tax
- A Form P21 Balancing Statement
- A Form P60
- Any other item of correspondence from Revenue which specifically quotes the PPS Number
- A payslip from a previous employer which shows the PPS Number

Computer Diskette Services Withdrawn

A full issue of employer copy tax credit certificates on computer diskette is now being issued to all employers who participate in the Computer Media Exchange Scheme. This is the final bulk issue of tax credit certificates by means of computer diskette as this service is being discontinued.

Employers who wish to continue to receive employer copy tax credit certificates in electronic format are requested to register for the Revenue On-line Service (ROS). The tax credit certificates issued through ROS are in the exact same format as those issued on computer diskette. There is an extra benefit involved in joining ROS: amended tax credit certificates will also be issued to you through ROS on a regular basis throughout the year. The tax credit certificate file issued through ROS can also be downloaded to your own diskette, if required.

For more information on the benefits of ROS services and how to register, please visit the Revenue website www.revenue.ie or phone the ROS helpline at 1890 20 11 06

Employers who do not register for the ROS electronic tax credit certificate service will receive tax credit certificates on paper from now on.

Employers have already been notified of the phasing out of the diskette service for submission of P35s with effect from February 2006. Revenue will accept 2005 Forms P35 on diskette but expect subsequent electronic submission of P35s on ROS.

Changes in PRSI

Threshold for payment of 2% Health Contribution increased from €400 a week to €440 a week and the annual threshold is increased from €20,800 to €22,880.

Threshold for employee PRSI increased from €287 a week to €300 a week.

Earnings ceiling for PRSI increased by €2,420 from €44,180 to €46,600 per year. (January 2006)

For all other Information regarding PRSI, please consult the Department of Social and Family Affairs website at <http://www.welfare.ie/schemes/employer/index> or Information Services at 01-7043000.