

Guide to taxation of Married Couples and Civil Partners

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Introduction

This leaflet explains the tax treatment of married persons or civil partners in the year of marriage or in the year of registration of a civil partnership and in subsequent years.

Year of Marriage or Civil Partnership Registration

Once married or registered in a civil partnership, you should advise your local Revenue office of the date of your marriage or civil partnership registration and quote your own and your spouse's or civil partner's Personal Public Service (PPS) numbers.

For tax purposes, both parties continue to be treated as two single persons in the year of the marriage or the year the civil partnership was registered. However, if the tax you pay as two single persons in that year is greater than the tax which would be payable if you had been taxed as a couple in a marriage or civil partnership, a refund of the difference can be claimed. Any refund due is only from the date of marriage or registration of civil partnership and will be calculated at the end of that tax year.

A refund of tax for the year of marriage or registration of civil partnership would normally only arise where a couple are taxed at different tax rates and one spouse or civil partner could benefit from the unused standard rate band or from some of the unused tax credits of the other spouse or civil partner. See example on page 7.

Subsequent Years

The following options are available:

- Joint Assessment
- Separate Assessment
- Separate Treatment (Assessed as Single Individuals).

You may choose the method of taxation which is best suited to your circumstances. To help you decide, each method is described in detail in the following paragraphs.

Joint Assessment

What is Joint Assessment?

Joint Assessment is usually the most favourable basis of assessment for couples in a marriage or civil partnership. It is automatically given by your local Revenue office once you have advised them of your marriage or civil partnership registration, but this doesn't prevent you from electing for either of the other options.

Under Joint Assessment, the tax credits and standard rate band can be allocated between spouses or civil partners to suit their circumstances. For example:

- If only one spouse or civil partner has taxable income, all tax credits and the standard rate band will be given to that individual
- If both spouses or civil partners have taxable income, they can decide which spouse or civil partner of them is to be the assessable spouse or nominated civil partner and request their local Revenue office to allocate the tax credits and standard rate band between them in whatever way they wish. (PAYE tax credit, employment expenses and the basic standard rate band of €23,800 are non transferable.)

Where the Revenue office does not receive a request for the allocation of tax credits and reliefs in a particular way, it will normally give all the tax credits (other than the other spouse's or civil partner's PAYE and expense tax credits) to the assessable spouse or nominated civil partner. See paragraph on standard rate band on page 5 for information.

The assessable spouse or nominated civil partner must complete the return of income for the couple and is chargeable to tax on the joint income of the couple.

Allocating tax credits and standard rate band via the Internet

Couples taxed under Joint Assessment can specify how they wish their tax credits and standard rate band to be allocated between them via the Internet using our PAYE Anytime service. This means you do not have to contact Revenue to have changes made. Once you confirm the changes you want made, a new tax credit certificate will issue within a few days with the amended details included. PAYE Anytime also allows you to claim a range of reliefs including Rent Relief, Home Carer's Tax Credit, Health Expenses and many others as well as the facility to claim refunds for the previous 4 years. For further information on PAYE Anytime, including the full range of reliefs available, please visit www.revenue.ie.

How do we nominate the Assessable Spouse or Nominated Civil Partner?

The couple themselves elect which of them is to be the assessable spouse or nominated civil partner. A verbal nomination made by either spouse or civil partner is acceptable. (Use the **Assessable Spouse or Nominated Civil Partner Election Form** to enable the nomination to be made.) While the nomination must be made to your local Revenue office on or before the 31st March in the tax year, it should ideally be made before the commencement of the tax year i.e. 1st of January, to ensure that the correct tax credits and standard rate band are allocated to each spouse or civil partner from the commencement of the tax year.

What is the position if we do not nominate the Assessable Spouse or Nominated Civil Partner?

In the absence of a nomination, the assessable spouse or nominated civil partner is the spouse or civil partner with the highest income in the latest year for which details of both spouses' or civil partners' income are known. A spouse or civil partner will continue to be the assessable spouse or nominated civil partner unless the couple jointly elect that the other spouse or civil partner is to be the assessable spouse or nominated civil partner or until either spouse or civil partner opts for either Separate Assessment or Separate Treatment.

Repayments

Repayments arising from an end of year review will, in general, be apportioned and repaid on the basis of the tax paid by each spouse or civil partner.

If one spouse or civil partner is Self-Employed can Joint Assessment apply?

Yes. The flexibility that Joint Assessment affords can be very convenient where one spouse or civil partner pays tax under PAYE and the other pays tax under the Self Assessment system. You can let your circumstances dictate whether most of the tax should be paid under PAYE or in a lump sum on assessment. This will be determined by the manner in which the tax credits are allocated. If you wish to pay most of your tax under PAYE, the tax credits, other than the PAYE tax credit and employment expenses, should be offset against the self assessment income.

Can Joint Assessment apply if only one spouse or civil partner has taxable income?

Yes. Joint Assessment is the only practical option in this situation. All tax credits, reliefs and the standard rate band are allocated to the spouse or civil partner with the taxable income.

Return of Income Form

Only one form need be completed. This must be completed by the assessable spouse or nominated civil partner, showing both spouses' or civil partners' income and claiming full tax credits and reliefs.

Are Tax Credit Certificates issued to each individual?

Yes. If both spouses or civil partners are in employment, a tax credit certificate is issued to each spouse or each civil partner. All of the tax credits and reliefs due to a couple in a marriage or civil partnership, where Joint Assessment applies, are shown on both spouses' or civil partners' certificates. Both certificates state the amount of tax credits and standard rate band allocated to each spouse or civil partner. Where either spouse or civil partner has multiple sources of PAYE income, the amount of tax credits and standard rate band allocated to each employment or pension is also shown on the certificate.

Separate Assessment

What is Separate Assessment?

Under Separate Assessment your tax affairs are independent of those of your spouse or civil partner. The following tax credits are divided equally between you:

- Married or Civil Partner's Personal Tax Credit
- Age Tax Credit
- Blind Person's Tax Credit
- Incapacitated Child Tax Credit.

The balance of the tax credits are given to each of you in proportion to the cost borne by you. The PAYE tax credit and employment expenses, if any, are allocated to the appropriate spouse or civil partner. Any tax credits, etc., other than the PAYE tax credit and employment expenses, which are unused by one spouse or civil partner may be claimed by the other spouse or civil partner. The tax credits may not generally be adjusted until after the end of the tax year.

What happens under Separate Assessment to tax credits not fully used by one spouse or civil partner?

Any unused tax credits (other than the PAYE tax credit and employment expenses) and standard rate band up to €41,800 can be transferred to the other spouse or civil partner, but only at the end of the tax year. The increase in the standard rate band of up to €23,800 is not transferable between spouses or civil partners. If you think you have unused tax credits or standard rate band, you should contact your local Revenue office for a review after the end of the tax year. It is important to note that, overall, the amount of the tax payable under Separate Assessment is the same as that payable under Joint Assessment. See example on page 8.

How do I claim Separate Assessment?

Separate Assessment can be claimed either verbally or in writing. The claim can be made by either spouse or civil partner, and must be made in the six months between the 1st of October of the preceding year and the 31st March in the year of the claim. It cannot be backdated to a previous year and it lasts until withdrawn. Whichever spouse or civil partner initially makes the claim must also be the one to withdraw it.

What about Return of Income Forms?

Each spouse or civil partner may complete a separate return of their own income. However, their local Revenue office will accept one joint return (which can be made by either spouse or civil partner) if it includes the income of both spouses or civil partners.

Separate Treatment (Assessed as a Single Individual)

What is Separate Treatment?

Under Separate Treatment each spouse or civil partner is treated as a single person for tax purposes. Separate Treatment should not be confused with Separate Assessment.

Both spouses or civil partners:

- Are taxed on their own income
- Receive tax credits and the standard rate band due to a single person
- Pay their own tax
- Complete their own Return of Income form and claim their own tax credits.

One spouse or civil partner cannot claim relief for payments made by the other and there is no right to transfer tax credits or standard rate band to each other.

How do I claim Separate Treatment?

Separate Treatment can be claimed either verbally or in writing.

Either spouse or civil partner can make the claim and the election lasts until withdrawn by the spouse or civil partner who claimed it. A claim for Separate Treatment, if required, must be made within the tax year (preferably at the beginning).

This basis of assessment can be unfavourable in some circumstances because any unused tax credits or standard rate band cannot be transferred. Home Carer's Tax Credit cannot be claimed in respect of a spouse or civil partner who cares for a dependent person and who may otherwise qualify for the relief. See example of Separate Treatment on page 9.

Other Relevant Matters

Standard Rate Band

The standard rate band for couples in a marriage or civil partnership for 2011 is €41,800 subject to an increase of up to €23,800 where both spouses or civil partners are working. The increase is limited to the lower of €23,800 or the amount of the income of the spouse or civil partner with the smaller income. This increase is not transferable between spouses or civil partners. The increase in the standard rate band is not allowable where a couple are claiming the Home Carer's Tax Credit. However, if the increased standard rate band is more beneficial, you can claim the increased standard rate band instead of the Home Carer's Tax Credit. In practice your local Revenue office will grant you whichever is the more beneficial. Leaflet IT 66 'Home Carer's Tax Credit' gives further information and examples to help you calculate which is the most beneficial.

It is very important that you have the correct tax credits and standard rate band as otherwise you will not pay the correct amount of tax.

Example:

You are the assessable spouse or nominated civil partner and you earn €46,000 in 2011. Your spouse or civil partner has a Social Welfare pension of €8,500. The income is taxable as follows:

Self	€41,800	@	20%
	€4,200	@	41%
Spouse or Civil Partner	€8,500	@	20%

I am married or registered in a civil partnership and ceased employment some years ago. I am about to start a temporary job. What is my tax position?

The usual provisions on commencing employment will apply. As you won't hold a current Form P45, you should contact your local Revenue office immediately so that the amount of your tax credits and standard rate band can be ascertained and advised to your employer. This will enable your employer to deduct the correct amount of tax. You should also give your employer your PPS number.

Your spouse or civil partner is probably using all the tax credits and standard rate band due to you as a couple in a marriage or civil partnership. If your employment is temporary it may not be worthwhile disturbing the tax credits for that year. You are entitled to a PAYE tax credit, expenses (if due in respect of your employment) and standard rate band in your own right provided you qualify for them.

If your estimated income for the tax year is €23,800 or less you will pay tax at the standard rate (20% in 2011). If your income for the tax year will exceed €23,800 your tax rate will depend on the level of your joint income (both spouses or civil partners). See paragraph headed Standard Rate Band. If you are in any doubt, contact your local Revenue office to ensure you have the correct tax credits and standard rate band.

If your spouse or civil partner is not in receipt of taxable income you can claim all tax credits and the standard rate band. Remember however, that in general, Jobseekers Benefit (formerly Unemployment Benefit) and Illness Benefit (formerly Disability Benefit) are taxable sources of income. (Additional information is available in Leaflets IT22 and IT24.)

If you are a Home Carer you can have income up to €5,080 without affecting the Home Carer's Tax Credit. This tax credit is reduced where the income is over €5,080. Full details are available in Leaflet IT66 'Home Carer's Tax Credit'. In certain circumstances the increased standard rate band may be more beneficial.

Is the position the same if I commence permanent employment?

Yes. If you decide you want the tax credits spread more evenly over the following year, you should notify your local Revenue office in time before the beginning of the new tax year on the 1st of January.

If I cease my employment can I claim a refund of tax?

Yes, provided you have paid tax, the employment ceased before the end of the tax year, and any tax payable on a payment from the Department of Social Protection is less than your tax credits. If you are receiving some or all of the tax credits due on Joint Assessment and you cease employment, you can transfer unused tax credits to your spouse or civil partner instead of claiming a tax refund.

Note that your own PAYE tax credit and employment expenses or the increase in the standard rate band cannot be transferred.

Do I have the same Revenue office as my spouse or civil partner?

As a PAYE employee, your tax affairs are dealt with in the region where you live. However, if you are self-employed, your place of business dictates the region where your tax affairs are dealt with. Any Revenue correspondence that you receive will show the contact address of your local Revenue office or if you visit www.revenue.ie and enter your PPS number into our Contact Locator, the name, address and contact details of your local Revenue office will be displayed.

Tax Treatment in Year of Marriage or Civil Partnership Registration

Example:

You and your spouse or civil partner entered a marriage or civil partnership on 10/7/2011. You earned €48,000 in 2011 and your spouse or civil partner earned €24,000.

Tax payable by you and your spouse or civil partner as Single People:

	Self		Spouse or Civil Partner	
	€		€	
Income	48,000		24,000	
Standard Rate Band	32,800 x 20% =	6,560	24,000 x 20% =	4,800
		15,200 x 41% =	<u>6,232</u>	
			12,792	
Tax Credits				
Personal Tax Credit	1,650		1,650	
PAYE Tax Credit	1,650		1,650	
	3,300	3,300	3,300	3,300
Tax Payable		9,492		1,500
Combined Tax Payable		Self		9,492
		Spouse or Civil Partner		<u>1,500</u>
				10,992

Tax payable by you and your spouse or civil partner under Joint Assessment as a Couple in a Marriage or Civil Partnership would be:

	Self		Spouse or Civil Partner		€
Income					48,000
					<u>24,000</u>
					72,000
Standard Rate Band					€
		Self		41,800 x 20% =	8,360
				6,200 x 41% =	2,542
		Spouse or Civil Partner		23,800 x 20% =	4,760
				200 x 41% =	<u>82</u>
					15,744
Tax Credits					
Married or Civil Partners Tax Credit			3,300		
PAYE Tax Credit x 2			<u>3,300</u>		
			6,600		<u>6,600</u>
Tax Payable					9,144

The difference between the tax payable by you and your spouse or civil partner as single persons and the tax payable by you both as a couple in a marriage or civil partnership is €1,848 i.e. €10,992 less €9,144. This amount of €1,848 is apportioned by the number of months for which you have been married or registered in a civil partnership in the tax year i.e. €1,848 x 6/12 = €924.

You and your spouse or civil partner can claim a refund of this €924 after the end of the tax year. The refund is apportioned between you both in proportion to the tax payable by each of you as follows:

The amount to be repaid to you is: $\frac{€924 \times €9,492}{€10,992} = €797.91$

The amount to be repaid to your spouse or civil partner is: $\frac{€924 \times €1,500}{€10,992} = €126.09$

Similarities and differences between Joint Assessment, Separate Assessment or Separate Treatment

In the following examples the tax liability of you and your spouse or civil partner is shown under each option. The same figures are used in each example. You earned €48,000 in 2011 and your spouse or civil partner earned €25,000.

Joint Assessment

	€		
Income		Self	48,000
		Spouse or Civil Partner	<u>25,000</u>
		Total	73,000
Standard Rate Band		Self	41,800 x 20% = 8,360
			6,200 x 41% = 2,542
		Spouse or Civil Partner	23,800 x 20% = 4,760
			1,200 x 41% = <u>492</u>
			16,154
Tax Credits			
Married or Civil Partners Tax Credit			3,300
PAYE Tax Credit x 2			<u>3,300</u>
			6,600
Tax Payable			9,554

Separate Assessment

	Self		Spouse or Civil Partner	
	€		€	
Income	48,000		25,000	
Standard Rate Band	32,800 x 20% = 6,560		25,000 x 20% = 5,000	
Transferred from Spouse or Civil Partner	7,800 x 20% = 1,560			
	7,400 x 41% = <u>3,034</u>			
	11,154			5,000
Tax Credits				
Personal Tax Credit	1,650		1,650	
PAYE Tax Credit	<u>1,650</u>		<u>1,650</u>	
	3,300		3,300	3,300
			<u>3,300</u>	1,700
Total Tax Payable			9,554	

The transferable portion of the lower tax standard rate band unused by your spouse or civil partner - €7,800 (i.e. €32,800 less €25,000) is transferred to you. Under both Joint Assessment and Separate Assessment, both spouses or civil partners pay the same amount of tax overall.

Separate Treatment (Assessed as a Single Individual)

	Self		Spouse or Civil Partner	
	€		€	
Income	48,000		25,000	
Standard Rate Band	32,800 x 20% = 6,560		25,000 x 20% = 5,000	
	15,200 x 41% = <u>6,232</u>			
		12,792		5,000
Tax Credits				
Personal Tax Credit	1,650		1,650	
PAYE Tax Credit	<u>1,650</u>		<u>1,650</u>	
	3,300	<u>3,300</u>	3,300	<u>3,300</u>
		9,492		1,700
Total Tax Payable		11,192		

The tax liability is greater under Separate Treatment than under Joint Assessment and Separate Assessment due to the nontransfer of your spouse's or civil partner's unused standard rate band.

Further Information

This leaflet is for general information only. For further information you can visit www.revenue.ie or contact your Regional PAYE LoCall Service whose number is listed below (within the Republic of Ireland only)

- **Border Midlands West Region** **1890 777 425**
Cavan, Donegal, Galway, Leitrim, Longford,
Louth, Mayo, Monaghan, Offaly, Roscommon,
Sligo, Westmeath
- **East & South East Region** **1890 444 425**
Carlow, Kildare, Kilkenny, Laois, Meath,
Tipperary, Waterford, Wexford, Wicklow
- **Dublin Region** **1890 333 425**
Dublin (City and County)
- **South West Region** **1890 222 425**
Clare, Cork, Kerry, Limerick

Please note that the rates charged for the use of 1890 (LoCall) numbers may vary among different service providers.

If calling from outside the Republic of Ireland, please telephone + 353 1 702 3011

4-year time limit: A claim for tax relief must be made within 4 years after the end of the tax year to which the claim relates.

Accessibility: If you are a person with a disability and require this leaflet in an alternative format the Revenue Access Officer can be contacted at accessofficer@revenue.ie

This leaflet is intended to describe the subject in general terms. As such, it does not attempt to cover every issue which may arise in relation to the subject. It does not purport to be a legal interpretation of the statutory provisions and consequently, responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.