PAYE Reviews where Week 53 applies

Part 42-04-07

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Table of Contents

1. Introduction

Section 14 of Finance Act 2018 introduced a new section – Section 480B - into the Taxes Consolidation Act (TCA) 1997 that applies for the tax year 2018 and subsequent years. Section 480B provides for an increase in rate bands and certain tax credits where a PAYE taxpayer, who is assessed to income tax on the receipts basis (section 112(3) TCA 1997), is paid an extra week's pay in the year, i.e. a 'Week 53' scenario.

The purpose of this manual is to set out the procedures to be adopted where reviews are being carried out in cases where tax credits and standard rate cut-off points, over and above the annual amount, have been given by an employer within the year in accordance with the Income Tax Regulations.

2. Payments in 'Week 53'

'Week 53' occurs when there is an extra pay day in the year. This happens when a pay day falls on 31 December or on 30/31 December in a leap year. Additional pay days can apply to employees (including pensioners) who are paid on a weekly, fortnightly or 4-weekly basis. It does not affect monthly-paid employees.

In the normal course of events, 'Week 53' years occur infrequently.

For 2019 and subsequent years, Regulation 15 of the Income Tax (Employments) Regulations 2018 (S.I. No. 345 of 2018) sets out the procedure to be adopted by an employer on the payment of emoluments to an employee in a Week 53 scenario (this is broadly in line with the position which applied pre-2019 (see Regulation 19 of the Income Tax (Employments) (Consolidated) Regulations 2001 (S.I. No. 559 of 2001)). Basically, Regulation 15 provides that the employer should use the latest Revenue Payroll Notification (RPN) to deduct income tax on a Week 1 basis.

The Tax and Duty Manual (TDM) Part 42-04-35A 'Employer's Guide to PAYE' also sets out the position regarding the paying of emoluments on the 27th fortnightly, and the 14th four-weekly, pay day.

Where 'Week 53' payments occur: -

- for **Income Tax Deductions** – the employer should follow the instruction found in Chapter 8.8 of TDM Part 42-04-35A – The Employers Guide to PAYE.
- for **USC Deductions** – the employer should follow the instruction found in Section 4 of TDM Part 18D-00-01.

3. End of Year Review Tax Year 2018 and Subsequent Years

On review of an employee's income tax liability, expanded tax credits and rate bands for Week 53 will be granted as set out below.

3.1 Tax credits

The following tax credits will, as appropriate, be increased by 1/52 –

- the Basic Personal Tax Credit,
- the Additional Tax Credit for Certain Widowed Persons,
- the Single Person Child Carer Credit,
- the Widowed Parent Tax Credit,
- the Age Tax Credit,
- the Incapacitated Child Tax Credit,
- the Dependent Relative Tax Credit,
- the Home Carer Tax Credit,
- the Blind Person's Tax Credit,
- Medical Insurance,
- the Employee Tax Credit,
- the Earned Income Tax Credit,
- the Seafarer Allowance, and
- the Fisher Tax Credit.

In addition, any relevant flat-rate expenses (see Chapter 4.1 of TDM Part 42-04-35A - the Employer's Guide to PAYE) will be increased by 1/52.

3.1.1 Limits on increase in tax credits

Where the sum of the tax credits regrossed at the standard rate of tax, together with any deductions, exceed the amount of emoluments paid in Week 53, the benefit arising is limited to the actual amount of emoluments paid in Week 53.

Example 1 – Single Person with One Employment

In 2018, Kevin received emoluments in Week 53 of €300 and was entitled to (i) the basic personal tax credit and (ii) the employee tax credit.

Basic tax credit –	€1,650/52 = €31.73
Employee tax credit –	€1,650/52 = €31.73
Total	€63.46
Regrossed equivalent	€317.30 (€63.46 X 100/20)

The maximum tax credits to be given to Kevin are €60.00 (emoluments of €300 x 20%).

Example 2 - Married Couples/Civil Partners

Where both spouses have Week 53 income in a tax year, the Week 53 income of both spouses is taken into account.

In 2018, Mary received emoluments in Week 53 of €500 and her husband Sean received emoluments of €150. Their tax credits are as follows;

Married tax credit – €3,300/52 = €63.46
Employee tax credit - €1,650/52 =€31.73
Employee tax credit - €1,650/52 = €31.73
€126.92

As the joint Week 53 income is €650, the maximum relief that may be granted is €130.00 (€650x20%)

However, as Sean's income is €150, the maximum relief due in respect of his income is €30.00 (€150x20%)

Therefore, the entitlement is:

Married tax credit – €63.46
Employee tax credit (Mary) – €31.73
Employee tax credit (Sean) – €30.00
€125.19

Example 3 – Single Person with More than One Employment

Where an individual has more than one source of Week 53 emoluments in a tax year, only one of those sources is considered for the purposes of granting the increased tax credits. The source that gives the greater benefit to the individual is used.

Pat has two jobs, and he received emoluments from both in Week 53. From job A, he received €300 and from job B he received €50.

He is entitled to the Basic Personal Tax Credit (€1,650/52 = €31.73) and the Employee Tax Credit (€1,650/52 = €31.73).

As it is more beneficial for Pat to have his credits allocated to job A, the Week 53 relief is allowable against those emoluments. However, the maximum credits he receives are €60.00 as they are restricted to his emoluments from that source of income i.e. €300x20%.

3.2 Rate Bands

In addition to tax credits, the appropriate standard rate band will also be increased by 1/52 in a Week 53 scenario.

Where an individual has more than one source of Week 53 emoluments in the tax year, only one source may be used for the purposes of increasing the rate band.

3.2.1 Limits on increase in rate bands

The increase in the appropriate standard rate band cannot exceed the amount of the Week 53 emoluments.

Example 4 – Single Person with One Employment

In 2019, John received emoluments in Week 53 of €300 and was entitled to the single person's standard rate band.

Standard rate band	€35,300/52 = €678.85
Emoluments received in Week 53	€300.00

The maximum amount of increase in the rate band to be allowed to John in Week 53 is therefore €300.00 and not €678.85, as it is restricted to the amount of emoluments received in Week 53.

Example 5 - married couples/civil partners

In the case of married couples/civil partners, the appropriate standard rate band is–

a. where one spouse has Week 53 emoluments – €44,300 (2019)
b. where both spouses have Week 53 emoluments – €70,600 (2019)

The appropriate standard rate band is increased by 1/52, i.e. €852 (€44,300/52) or €1,358 (€70,600/52).

Where both spouses have Week 53 emoluments, the increase arising in respect of the increased rate band €26,300 (€70,600 – €44,300) is restricted to the amount of the Week 53 emoluments of the spouse with the lesser Week 53 emoluments.

In 2019, Peter received emoluments in Week 53 of €1,000 and his spouse Paul received emoluments of €450. Their standard rate bands were allocated by them as follows:

Peter: Rate band – €44,300	Paul: Rate band – €26,300
Weekly cut off – €851.92	Weekly cut off- €505.77
Week 53 Pay - €1,000	Week 53 Pay - €450

The maximum amount of rate band that Peter can use in Week 53 is €851.92 as this is the most that is allowable to him. The maximum amount of rate band that Paul can use in Week 53 is €450.00 as it is restricted to the pay he received in Week 53. As such, the expansion in the rate band is €1,301.92 (€851.92 + €450).

3.3 Cases where increased credits and rate bands are not due

If an employer changes a payday during the year, or the previous year, resulting in a 'Week 53' payday, no additional tax credits or rate band are due. This also applies where a payment, including a notional payment, is made to an employee on 31 December (or 30/31 December in a leap year) and it is not the employees' normal payday.

Under PAYE Modernisation (effective from 1 January 2019), an employer should submit a payroll submission to Revenue every time a payment of emoluments is made setting out pay and tax details for each employee. Employers are required to specify the pay frequency on the payroll submissions including the number of expected pay days in the tax year.

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