

Income - Salary - Wage  
Gross annual salary  
Amount you would before tax

Income Tax PAYE

It is charged at 2 rates  
Standard rate  $\approx 20\%$   
Higher rate  $\approx 40\%$

Standard Rate Cut off Point SRCOP

Amount a person can earn and only be charged at the lower rate of tax

Amount charged at the higher rate of tax

Gross Wage - SRCOP = Balance

Balance is charged at the higher rate of tax

Gross Tax : Standard rate + Higher rate amount.

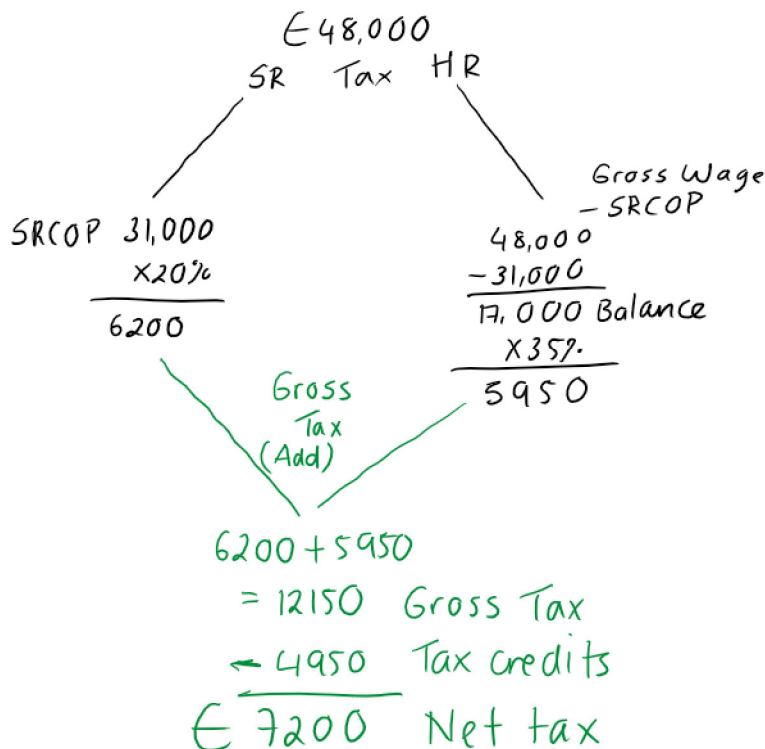
Tax credits : Gross Tax

- Tax Credit

Net Tax or Tax payable : Amount of tax paid.

Take home pay : Gross wage - Net tax  
Net income

Eg1) Linda has a gross salary of €48,000 and her standard rate cut of point is €31,000. The standard rate of tax is 20% and the higher rate is 35%. She has tax credits of €4950. Work out her net income tax.



Take home pay : 48,000 - 7,200 = € 40,800

Take home pay  $48,000 - 7200 = \text{€ } 40,800$

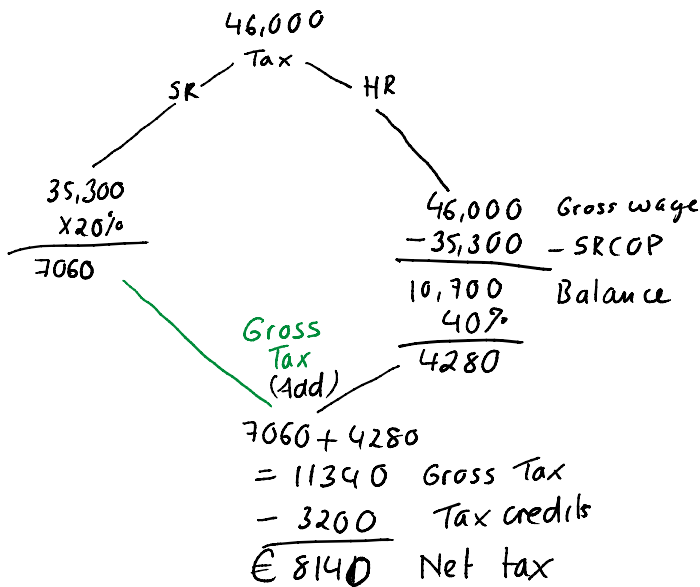
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Angela Gross wage €46000

SCROP €28,000

Tax credit €3200

SR = 20% } rate of  
HR = 42% } tax



T&T 2.1.3

Income tax



T&T 2.1.3

Income...

## Applied Arithmetic

Chapter  
4

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### Section 4.3 Income tax

#### Example 1

A printer has a weekly wage of €800. He pays income tax on all his wages at the standard rate of 20%. If he has a tax credit of €48 a week, find how much income tax he pays.

### Example 2

A woman's income for the year is €45 000. She has a standard rate cut-off point of €28 000 and a tax credit of €4000. If the standard rate of income tax is 20% and the higher rate is 41%, how much income tax does she pay for the year?

### Example 3

A man pays €4500 income tax for the year and he has a tax credit of €2400. If he pays tax at the standard rate of 20% on all his income, calculate his gross income for the year.

### Example 4

Conor has a weekly wage of €840.  
He pays the USC at the usual rates and PRSI at 4%.  
He has a tax credit of €65 and pays income tax at the standard rate of 20%.  
Calculate his take-home pay after all deductions.

#### Exercise 4.3

1. Tom's weekly wage is €800.  
His tax credit is €90 a week.  
He pays income tax at the rate of 20%.  
Copy and complete the table on the right to find Tom's take-home pay.

Gross pay	€800
Tax @ 20%	.....
Tax credit	€90
Tax due	.....
Take-home pay	.....

2. Helen's gross pay for the year is €34 800.  
Her tax credit is €2585.  
She pays income tax at the rate of 22%.  
Copy and complete the table on the right.

Gross pay	
Tax @ 22%	
Tax credit	
Tax due	
Take-home pay	

3. Leah has a weekly wage of €750.  
Her weekly tax credit is €72 and the standard rate of tax is 25%.  
How much income tax does she pay each week?

4. Conor has a monthly wage of €3200.  
His monthly tax credit is €280 and the standard rate of tax is 22%.  
Find how much income tax he pays each month.

5. Elaine has a weekly wage of €920.  
Her weekly tax credit is €84 and the standard rate of tax is 24%.  
How much income tax does she pay each week?

6. Jill has an annual salary of €42 000.  
Her annual tax credit is €3600 and the standard rate of tax is 22%.  
How much income tax does she pay for the year?

7. A carpenter has a weekly wage of €1050.  
His weekly tax credit is €78 and the standard rate of income tax is 24%.  
(i) Find how much income tax he pays each week.  
(ii) What is his net pay for the week?

**8.** Angela has an annual salary of €46 000.  
 Her standard rate cut-off point is €28 000 and her tax credit is €3200.  
 If the standard rate of income tax is 20% and the higher rate is 42%, find

- the gross income tax for the year
- the amount of income tax paid for the year.

**9.** A journalist has a weekly wage of €980.  
 His standard rate cut-off point is €620 and his tax credits amount to €44. The standard rate of income tax is 20% and the higher rate is 42%.  
 Find

- his gross tax for the week
- the amount of tax he pays each week.

**10.** Niamh has an annual salary of €48 000.  
 She has a standard rate cut-off point of €34 000 and a tax credit of €4600.  
 If the standard rate of income tax is 20% and the higher rate is 42%, find how much income tax she pays.

**11.** The Universal Social Charge (USC) rates are given in the table below:

Per year	Rate of USC	Per week
Up to €10 036	2%	Up to €193
€10 036 to €16 016	4%	€193 to €308
In excess of €16 016	7%	In excess of €308

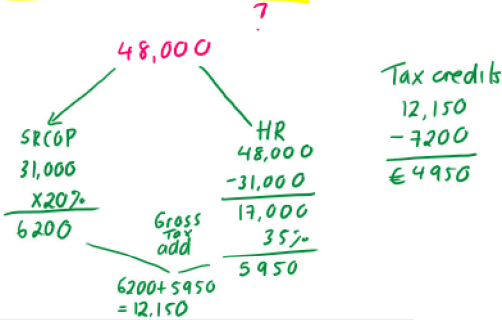
- Aidan has an annual salary of €57 000.  
 Calculate his USC for the year.
- Paula has a weekly wage of €950.  
 Calculate her USC for the week.
- A salesperson has an annual salary of €63 000.  
 Calculate her USC for the year.
- A plumber has a weekly wage of €1200.  
 Calculate his USC for the week.

**12.** A manager has an annual salary of €43 000. Her tax credits amount to €3500 and she pays income tax on all her income at the standard rate of  $r\%$ .  
 If she pays €5960 in income tax for the year, find  $r$ .

13. A bus driver has a tax credit of €60 a week and pays income tax on all his wages at the standard rate of 20%.  
If he pays €140 in income tax for the week, find his gross weekly wage.

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14. Inda has a gross annual salary of €48,000 and her standard rate cut-off point is €31,000. The standard rate of income tax is 20% and the higher rate is 35%.  
If she pays €7,200 in income tax for the year, calculate her tax credit.



15. Helen paid €4,400 in income tax for the year. Her tax credits amounted to €2,600 and she paid income tax on all her salary at the standard rate of 20%.  
Find her gross salary for the year.

$$20\% = \frac{1}{5}$$

$$4400 + 2600 = 7000 \quad \text{Gross Tax}$$

$$20\% = \frac{7000}{\text{Gross Salary}}$$

$$1\% = \frac{7000}{20\%} = \text{€}35,000$$

$$\frac{7000}{20} = 350$$

$$100 = 350 \times 100 = 35,000$$

16. A man pays €6,520 income tax for the year and he has a tax credit of €3,600. He pays income tax on all his income at the standard rate of 22%.  
Calculate his gross annual salary.

U.S.C.

Eg 1) Using weekly thresholds.

①	up to 231	0.5%
②	231 → 382	2%
③	382 → 1347	4.5%
	1347 +	8.5%

Finian earns €900 per week find his USC.

$$\text{① } 231 \times 0.5\% = \text{€}1.16$$

$$\text{② } \frac{382 - 231}{151} \times 2\% = \text{€}3.02$$

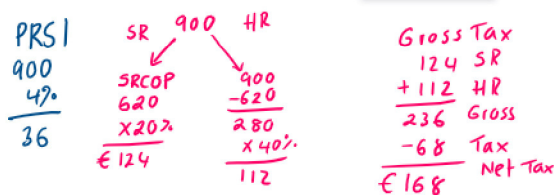
$$\text{③ } \frac{900 - 382}{518} \times 4.5\% = \text{€}23.31$$

$$\text{Total USC} = 1.16 + 3.02 + 23.31 = 27.49$$

H/W

17. Finian has a weekly wage of €900. His tax credit is €68 and his standard rate cut-off point is €620. The standard rate of tax is 20% and the Higher rate is 42%.  
He pays USC at the rates given in Question 11 above.  
He also pays PRSI at the rate of 4% on all his wage.  
(i) How much income tax does he pay for the week?  
(ii) How much does he pay in USC?  
(iii) Calculate how much he pays in PRSI.  
(iv) What is his net pay for the week?

Net pay is the same as take-home pay.



Tax = 168  
USC = 27.49  
PRSI = 36 } Deductions

$$\text{Net Pay } 900$$

$$\text{Take home pay } - (168 + 27.49 + 36)$$

$$= \text{€} 668.51$$

H/W

18. John White is a factory manager and earns €54,000 a year. His yearly tax credit is €4,300 and his standard rate cut-off point is €36,000. The standard rate of tax is 20% and the higher rate is 42%.

**18.** *H/W* John White is a factory manager and earns €54 000 a year. His yearly tax credit is €4300 and his standard rate cut-off point is €36 000. The standard rate of tax is 20% and the higher rate is *40%*. He pays USC as in Question 11 above and PRSI on all his salary at the rate of 4%.

- How much income tax does he pay in the year?
- How much does he pay in USC?
- How much in PRSI does he pay?
- Calculate his take-home pay for the year.
- Express his take-home pay as a percentage of his gross salary. Give your answer to the nearest whole number.

**19.** Emma is paid €10.40 per hour for a 35 hour working week. For each hour over 35 hours, she is paid  $1\frac{1}{2}$  times the normal hourly rate. Her tax credit for the week is €68 and the standard rate of tax is 26%. She pays USC as in Question 11 above and PRSI at the rate of 5%.

If in a particular week she worked 45 hours, find

- her gross wage for the week
- the amount of income tax she paid
- the amount of USC she paid
- the amount of PRSI she paid
- her net pay for the week.

**20.** A woman paid €6600 in income tax for the year. She had a tax credit of €4600 and her standard rate cut-off point was €28 000. The standard rate of income tax was 20% and the higher rate was 40%.

- Calculate her gross tax for the year.
- How much income tax did she pay at the standard rate?
- How much income tax did she pay at the higher rate?
- How much income did she earn in excess of €28 000?
- What was the woman's gross income for the year?

## Answers

### Exercise 4.3

- |                  |              |            |
|------------------|--------------|------------|
| 1. €730          | 2. €29 729   | 3. €115.50 |
| 4. €424          | 5. €136.80   | 6. €5640   |
| 7. (i) €174      | (ii) €876    |            |
| 8. (i) €13 160   | (ii) €9960   |            |
| 9. (i) €275.20   | (ii) €231.20 |            |
| 10. €8080        |              |            |
| 11. (i) €3308.80 | (ii) €53.40  |            |
| (iii) €3728.80   | (iv) €70.90  |            |
| 12. 22           | 13. €1000    |            |
| 14. €4950        | 15. €35 000  |            |

## Answers

- |                 |                 |
|-----------------|-----------------|
| 16. €46 000     |                 |
| 17. (i) €173.60 | (ii) €49.90     |
| (iii) €36       | (iv) €640.50    |
| 18. (i) €10 460 | (ii) €3098.80   |
| (iii) €2160     | (iv) €38 281.20 |
| (v) 71%         |                 |
| 19. (i) €520    | (ii) €67.20     |
| (iii) €23.30    | (iv) €26        |
| (v) €403.50     |                 |
| 20. (i) €11 200 | (ii) €5600      |
| (iii) €5600     | (iv) €14 000    |
| (v) €42 000     |                 |