

Income - Salary - Wage

Gross annual salary
Amount you would before tax

Income Tax PAYE

It is charged at 2 rates



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 amount + Higher rate amount.

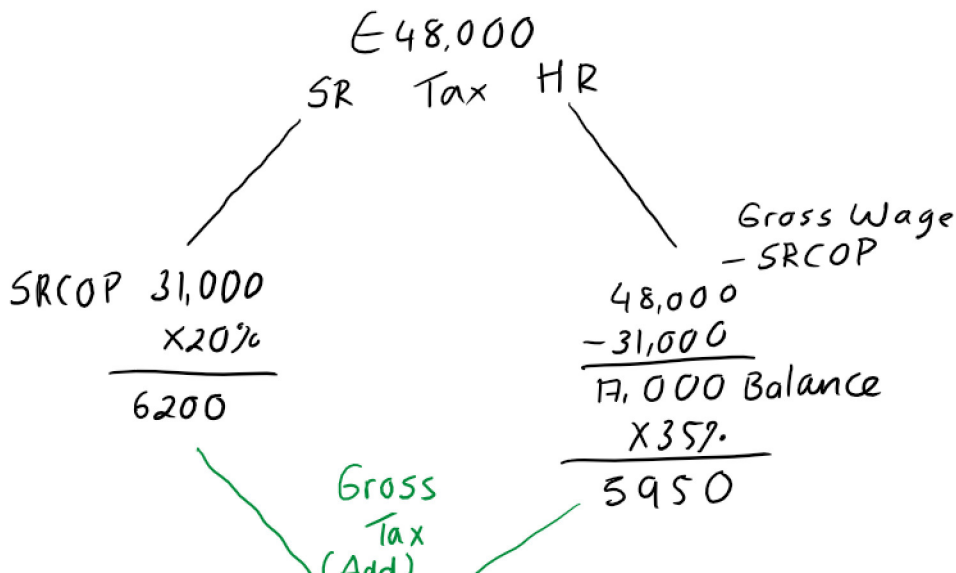
Tax credits : Gross Tax

- 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.



Gross Tax (Add) 5950

$$6200 + 5950$$

= 12150 Gross Tax

← 4950 Tax credits

€ 7200 Net tax

Take home pay $48,000 - 7200 = € 40,800$

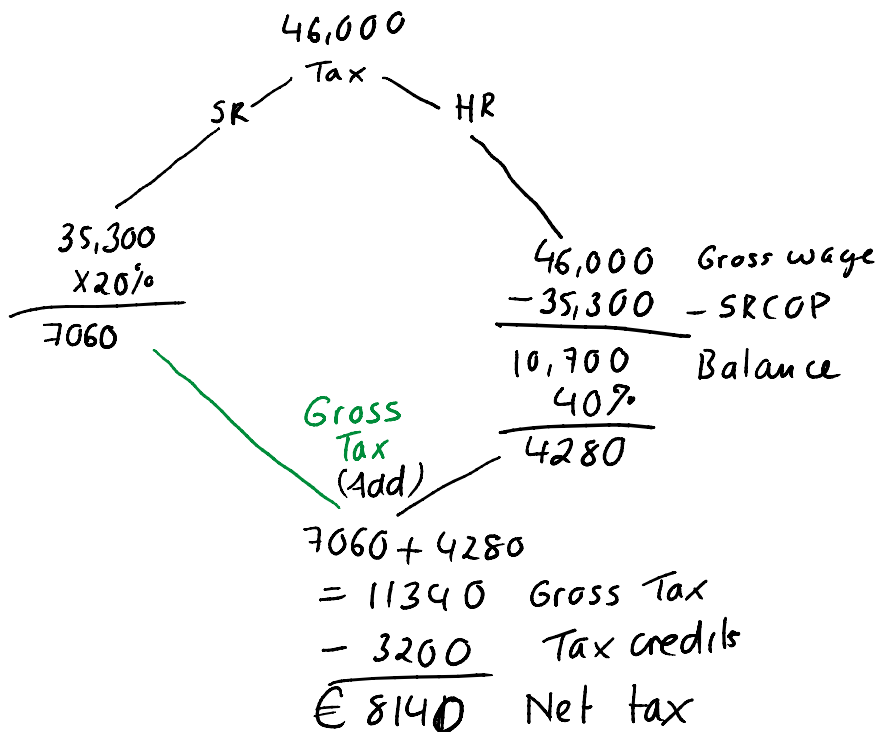
New pg 73 Q7 / OLD pg 59 Q8.

Angela Gross Wage €46000

SCROP €28,000

Tax credit €3200

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



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.

Q13/14 Q14/15
New OLD
H/W pg 75 / 60

14. Linda 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 €7200 in income tax for the year, calculate her tax credit.

H/W

15. Helen paid €4400 in income tax for the year. Her tax credits amounted to €2600 and she paid income tax on all her salary at the standard rate of 20%.
Find her gross salary for the year.

- 16.** A man pays €6520 income tax for the year and he has a tax credit of €3600. He pays income tax on all his income at the standard rate of 22%. Calculate his gross annual salary.

- 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.
- How much income tax does he pay for the week?
 - How much does he pay in USC?
 - Calculate how much he pays in PRSI.
 - What is his net pay for the week?

Net pay is the same as take-home pay.

- 18.** 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 42%. 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 | |