

Guide to Pay As You Earn (PAYE)

Important notice: Latest information on Revenue services and tax and customs measures in place during the COVID-19 pandemic.

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Overview

- As an employer you will have to deduct the following from your employees' gross pay:
 - Income Tax (IT)
 - Pay Related Social Insurance (PRSI)
 - Universal Social Charge (USC).

On or before you make a payment to your employees, you must report the pay and deductions to Revenue.

This section will explain how PAYE works.

The PAYE system

The PAYE system enables you to calculate and deduct tax, Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) from your employees. You make these deductions each time you pay your employee.

You must report these deductions to Revenue on or before the pay date.

As an employer, you must operate PAYE where you make payments in excess of certain levels. The Paying an employee section gives further details on how to do this.

Determining the employment status of an individual

There is a legal difference between a contract of employment (known as a 'contract of service') and a contract for service. A contract of employment applies to an employee-employer relationship. A contract for service applies in the case of an independent or self-employed contractor.

A worker's employment status is not a matter of choice. It depends on the terms and conditions of the job. Usually it is clear whether an individual is employed or self-employed. If it is not obvious, the checklists below will help in deciding this.

When looking at the criteria, you must consider the working conditions and the employment as a whole. The main question will always be whether they work 'as a person in business on their own account'. This will help decide if the person is a free agent with economic independence from an employer.

How to determine if an individual is an employee

While all the following factors may not apply, an individual is normally your employee if:

- you control how, when and where the work is carried out
- they supply labour only
- you pay them a fixed hourly, weekly, or monthly wage
- they cannot sub-contract their work
- you supply the materials for the job
- you provide all equipment other than the small tools of the trade
- they are not exposed to personal financial risk in carrying out the work
- they do not assume any responsibility for investment and management in the business
- they cannot profit from the management, scheduling or performance of the work
- you set the work hours
- they carry out work for you or your business only
- you pay expenses to cover subsistence or travel
- they are entitled to extra pay or time off for overtime.

How to determine if an individual is self-employed

While all the following factors may not apply to the job, individuals are normally self-employed if they:

- own their own business
- are exposed to financial risk (for example they may have to bear the cost of redoing faulty or substandard work carried out under the contract)
- assume responsibility for investment and management in the business
- can profit from the management, scheduling or performance of the work
- have control over what, how, when and where the work is done and whether they do it personally
- are free to hire other people, on their terms, to do the work which has been agreed on
- can provide the same services to more than one person or business at the same time
- provide the materials for the job
- provide equipment and machinery necessary for the job
- have a fixed place of business where materials or equipment can be stored
- cost and agree a price for the job
- provide their own insurance cover (for example, public liability cover)
- control the hours of work in fulfilling the job obligations.

If you are unsure as to whether a person is employed or self-employed, you should contact us.

Income Tax calendar

The tax year begins on 1 January and ends on the following 31 December.

- Week 1 starts on 1 January and ends 7 January, week 2 from 8 January and ends 14 January, and so on.
- Month 1 starts on 1 January and ends 31 January, month 2 from 1 February and ends 28 or 29 February, and so on.

You can view weekly and monthly income tax calendars for reference.

Forms used by employers

Employers must use certain forms to report the tax, Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) deducted from pay to Revenue. A list of these forms is given in List of forms used by employers.

Assistance for employers

Employer PAYE queries

Tax queries on the operation of PAYE should be addressed to the National Employer Helpline.

Collector General

General tax and returns queries should be directed to the Collector General.

Pay Related Social Insurance (PRSI) queries

Queries relating to social insurance should be directed to the Department of Social Protection (DSP)