

Rapid Revision: Leaving Cert Tax

1.

In the context of business, what do the following letters stand for? Write your answers in the spaces provided.

PAYE	Pay As You Earn
USC	Universal Social Charge
PRSI	Pay Related Social Insurance
DIRT	Deposit Interest Retention Tax
CGT	Capital Gains Tax

2. Circle the correct term from the sentences below:

- PAYE/USC is an example of a **progressive**/regressive tax as the more you earn the more you pay
- VAT is an example of a **progressive**/**regressive** tax meaning everyone pays the same regardless of income levels
- Direct taxes are taxes on **income**/expenditure- e.g. PAYE/USC
- Indirect taxes are taxes on **income**/expenditure- e.g. VAT
- Tax credits **increase**/**reduce** PAYE paid

3. Match the key terms to their definitions below:

1. Capital Gains Tax	A. This is the percentage of taxes paid by individuals which can be different- e.g. PAYE
2. Capital Acquisition Tax	B. Tax on certain products such as alcohol and tobacco
3. Excise Duties	C. Collect taxes on behalf of the Irish government
4. Value Added Tax	D. This is tax on the goods imported from outside of the EU
5. Corporation Tax	E. Employers must pay a percentage of the employee's wages as their contribution to the cost of this insurance. Employers see this as an additional tax on them which increases the cost of employing staff
6. Local Property Tax	F. Tax paid by the self-employed. They are responsible for calculating their own tax bill,
7. Customs Duty	G. Tax if a person earns income from the sale of an asset such as shares or property (other than the home).
8. Commercial Rates	H. Tax paid of gifts and inheritance. The amount of tax you pay depends on who gave you the gift or inheritance and how much it is worth.
9. Self-Assessment Income Tax	I. Tax paid on the land/property owned by the business. They pay it to their local council every year. The amount paid is based on the value of the business premises
10. Pay Related Social Insurance	J. The tax on goods and services when a consumer buys goods. The tax is collected by the business and paid to the government
11. Revenue Commission	K. Self- Assessed tax paid by households on their home- only paid by households and not businesses
12. Tax Rates	L. This is the tax paid on the profits that a business makes

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
G	H	B	S	L	K	D	I	F	E	C	A

4.

Ben Caffrey is a manager at Fun-Go Holidays Ltd and earns a gross annual salary of €55,000. His employer provides him with a holiday voucher worth €5,000. This is treated as income for tax purposes and is taxed accordingly.

Ben's tax information is shown in the following table.

PAYE		
20% on the first €34,550	40% on the balance of his gross income.	
Tax Credits		
Single Person Tax Credit €1,650	PAYE Tax Credit €1,650	Dependent Relative Tax Credit €70
USC		
0.5% on the first €12,012	2% on the next €7,360	4.75% on the balance of his gross income
PRSI		
Ben pays employee PRSI at 4% of his gross income		

Calculate each of the following (show your workings):

- (i) The PAYE which Ben has to pay
- (ii) The total amount of USC
- (iii) The total amount of PRSI
- (iv) Ben's net annual take-home pay.

	€	€	€
Gross Pay			55,000
Add Voucher			5,000
Taxable Income			60,000
Deductions			
① PAYE			
34,550 x 20%	6,910		
60,000 - 34,550 = 25,450 x 40%	10,180		
		17,090	
Less Tax Credits			
PAYE	1,650		
Single Person	1,650		
Dependent Relative	70	3,370	
Total PAYE		13,720	
② PRSI			
60,000 x 4%		2,400	
③ USC			
12,012 @ 0.5%	60.06		
7,360 @ 2%	147.20		
60,000 - 12,012 - 7,360 = 40,628 @ 4.75%	1,929.83	2,137.09	
Total Deductions			18,257.09
			41,742.91
Less Voucher			5,000
NET Take Home Pay			36,742.91

Workings

① PAYE $€34,550 \times 20\% = €6,910$
 $€60,000 - €34,550 = €25,450 \times 40\% = €10,180$
 $€6,910 + €10,180 = €17,090$

② PRSI $€60,000 \times 4\% = €2,400$

③ USC $€12,012 \times 0.5\% = €60.06$
 $€7,360 \times 2\% = €147.20$
 $€60,000 - €12,012 - €7,360 = €40,628 \times 4.75\% = €1,929.83$
 $€60.06 + €147.20 + €1,929.83 = €2,137.09$

④ Total Deductions
 $€13,720$
 $+ €2,400$
 $+ €2,137.09$
 $€18,257.09$