



**INCOME LEVY
ANNOUNCEMENT IN SUPPLEMENTARY BUDGET 2009**

APRIL 2009

Increase of Income Levy Rates

The Supplementary Budget 2009 provided for an increase in the Income Levy rates. The indication was that these increases would apply from 1 May 2009. However, on reviewing the detail of the Budget 2009 – Financial Resolution No. 1 which relates to the Income Levy it is clear that “Composite Rates” (rates which takes account of the income levy rates in place up to 30 April 2009 (“Old Rates”) and the rates to apply thereafter) are to apply for the 2009 tax year, i.e. the increases are effectively being backdated on a pro rata basis to apply with effect from 1 January 2009. These composite rates will apply to all income which is subject to the income levy in the tax year 2009. The “New Rates” will apply in full from 1 January 2010.

Old Rates		New Rates		Composite Rates	
First €100,100	1%	First €75,036	2%	First €75,036	1.67%
Next €150,020	2%	Next €99,944	4%	Next €25,064	3%
Balance	3%	Balance	6%	Next €74,880	3.33%
				Next €75,140	4.67%
				Balance	5%

Collection of Income Levy through PAYE System

The Old Rates will continue to apply to payments up to 30 April 2009. The New Rates will then apply to payments from 1 May 2009. The Office of the Revenue Commissioners will shortly be issuing instructions to employers and payroll operators on how to implement the changes.

In respect of the tax year 2009 there will generally be little or no additional liability due in respect of the Income Levy where the level of remuneration paid to an employee / director is paid evenly throughout the year. Where however an employee / director has for example received a lump sum payment (e.g. bonus, exceptional payment etc) in the period up to 30 April 2009 there will be an additional amount of Income Levy due as the Old Rates will have been applied to that payment whereas the full liability will be calculated using the Composite Rates. When calculating the liability due the individual concerned will receive a credit for the amount of the Income Levy collected under the PAYE system.

Collection of Income Levy through Self Assessment System

An individual who pays their taxes through the self assessment system will account for the Income Levy under that system. In relation to the tax year 2009 the Composite Rate will apply to all income (subject to the Income Levy) for the entire tax year with the New Rates applying from 1 January 2010.

CONTACTS

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