

[42.4.24A] PAYE/USC Regulations - Emergency Tax

Reviewed May 2016

1. Introduction

The purpose of this Manual is to advise staff that Emergency Tax is provided for in Regulation 22 of the PAYE Regulations. The USC emergency basis is provided for in Regulation 21 of the USC Regulations.

These provisions are summarised in the following paragraphs.

2. Emergency Tax basis for an employee who does not provide a PPS number.

- 2.1** In circumstances where an employee, who on taking up employment does not provide the employer with his or her PPS number, the employer is obliged to calculate the tax due on the employee's emoluments at the higher rate of tax with no tax credits due.

Example 1

In 2016, an employee commences employment and does not provide his/her employer with his/her PPS Number for the first three paydays. He/she is earning €470 per week.

The tax deductions to be made from his/her earnings are as follows:

First Pay Day	Pay	€470
	Tax at highest rate 40%	€188.00
Second Pay Day	Pay	€470
	Tax at highest rate 40%	€188.00
Third Pay Day	Pay	€470
	Tax at highest rate 40%	€188.00

- 2.2** Where an employee subsequently provides his or her PPS Number, the normal emergency tax basis (see paragraph 4 below) applicable to that and subsequent weeks must be applied. For example, if an employee provides his/her or her PPS Number in the fourth week of employment, the employer must deduct tax in accordance with the rule applicable to week 4 of the normal emergency tax rules, as set out in paragraph 4 below.

Example 2

The employee provides his/her PPS Number in time for the calculation of his/her tax deductions for the fourth payday.

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Fourth Pay Day	Pay	€470
	*Tax at standard rate 20%	€94
	**Tax Credit	€32.00
	Tax due	€62.00

* Week 4 of normal emergency procedure

** Tax credit is calculated at $1650 \times 1/52 = €32.00$

3. Employers Obligations

There is an obligation on an employer to take reasonable measures to ensure that the PPS Number provided by an employee does, in fact, refer to that employee. The employer should be regarded as having taken reasonable measures where he or she checks the PPS Number provided against any of the following documents:

- A notice of determination of tax credits and standard rate cut-off point in respect of a previous employment;
- A P45 from a previous employment in respect of an earlier year of assessment or from a former employer in respect of the current year of assessment where the P45 indicates that emergency tax applied;
- A notice of assessment to income tax or capital gains tax;
- A P21 Balancing Statement;
- A P60 issued by a former employer;
- Any other item of correspondence from the tax office which specifically quotes the PPS Number;
- A pay slip from a previous employer which shows the PPS Number;
- A Department of Social Protection Services Card or PPS Registration Letter issued by the Department of Social Protection.

4. Emergency Tax and the standard rate cut-off point – Normal Emergency rules

The emergency system and standard rate cut-off operates as follows:

Weeks 1 –4 or Month 1 [if paid monthly]

Tax is calculated on the gross pay (after deduction of superannuation contributions and permanent health contributions where relevant) at the standard rate of tax up to an amount equal to $1/52^{\text{nd}}$ of the standard rate cut-off point for a single individual if weekly paid or $1/12^{\text{th}}$ if monthly paid and any balance at the highest rate of tax.

The tax as calculated must be reduced by a tax credit which is equivalent to 1/52nd of the personal tax credit for a single person if weekly paid or 1/12th if monthly paid.

Weeks 5 – 8 or Month 2 if paid monthly

Tax must be calculated on the gross pay (after deduction of superannuation contributions and permanent health contributions where relevant) at the standard rate of tax up to an amount equal to 1/52nd of the standard rate cut-off point for a single individual if weekly paid or 1/12th if monthly paid and any balance at the highest rate of tax with no tax credits due.

Each subsequent Week or Month if paid monthly

Tax must be calculated on the gross pay (after deduction of superannuation contributions and permanent health contributions where relevant) at the higher rate of tax with no tax credits due.

Example 3

An employee commences employment and he provides his employer with his PPS Number but does not produce a form P45 from a previous employment. The employer has not received a certificate of tax credits and standard rate cut-off point for him/her. The employee is earning €850 per week.

The tax deductions to be made from his/her earnings for 2016 are as follows:

First 4 Pay days (Emergency Basis weeks 1 – 4 above)	Pay		€850
	*Standard rate cut off point	€650 x 20% =	€130.00
	Balance	€200 x 40% =	€80.00
	Total		€210.00
	Tax Credits		€32.00
	Tax due		€178.00
Next 4 Pay days (Emergency Basis weeks 5 – 8 above)	Pay		€850.00
	Standard rate cut off point	650 x 20% =	€130.00
	Balance	€200 x 40% =	€80.00
	Total		€210.00
	Tax Credits		€Nil
	Tax due		€210.00
Subsequent Pay days	Pay		€850
	Standard rate cut off point		€Nil
	Balance	€850 x 40% =	€340.00
	Tax Credits		€Nil
	Tax due		€340.00

* The standard rate cut-off point for 2016 is €33,800 X 1/52 = €650

5. Emergency Tax and separate periods of employment.

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Where an employee has separate periods of employment with the one employer in the same income tax year and the emergency basis applies in each period, the employment is deemed to be continuous from the start of the first period of employment to the end of the last period of employment or to the 31 December, whichever is the earlier.

6. USC Emergency basis of deduction

The emergency basis of deduction is provided for in Regulation 21 of the Universal Social Charge Regulations 2011.

The emergency basis applies where the employer does not hold either a certificate of tax credits and standard rate cut-off point or a P45 from a former employer. USC at the highest rate (8% for 2016) is deductible from any emoluments paid to the employee.

Further information on the emergency basis of tax is available on our website at the following link: www.revenue.ie