

## **PAYE INCOME TAX WORKSHEET**

**Scan read the PAYE tax sheet and answer the questions:**

### **PERSONAL TAX CREDITS:**

1. What is a single person's tax credit for 2007?
2. What is a married person's tax credit for 2007?
3. What is a one-parent family's tax credit for 2007?
4. What does 'one-parent family' mean?
5. How much is the PAYE Tax Credit for 2007?
6. What is a blind single person's tax credit for 2007?
7. What is the additional allowance for a guide dog in 2007?

### **EXEMPTION LIMITS**

8. For a single person under 65, when do you pay no tax in 2007?
9. For a married person under 65, when do you pay no tax in 2007?

### **TAX RATES AND TAX BANDS (2007)**

10. For a single person with no dependent children, what is the standard rate of income tax?
11. For a single person with no dependent children, what is the higher rate of income tax?
12. For a single person with no dependent children, what is the salary limit for the standard rate of income tax?
13. For a married couple (one spouse with income), what is the standard rate of income tax?
14. For a married couple (one spouse with income), what is the higher rate of income tax?
15. For a married couple (one spouse with income), what is the salary limit for the standard rate of income tax?

## TAX CREDITS, RELIEFS and RATES for the Tax Years 2006 and 2007

The following chart gives details of the main personal tax credits for the tax years 2006 and 2007.

<b>Personal Tax Credits</b>	<b>Tax Year 2006</b>	<b>Tax Year 2007</b>
	€	€
<b>Single Person's Tax Credit</b>	1,630	1,760
<b>Married Person's Tax Credit</b>	3,260	3,520
<b>Widowed Person's Tax Credit</b>		
- qualifying for One Parent Family Tax Credit	1,630	1,760
- without dependent children	2,130	2,310
- in year of bereavement	3,260	3,520
<b>One-Parent Family Tax Credit</b> (with qualifying dependent children) (See Note 1) Widowed, Deserted, Separated or Unmarried	1,630	1,760
<b>Widowed Parent Tax Credit</b>		
Bereaved in 2006	-	3,750
Bereaved in 2005	3,100	3,250
Bereaved in 2004	2,600	2,750
Bereaved in 2003	2,100	2,250
Bereaved in 2002	1,600	1,750
Bereaved in 2001	1,100	nil
<b>Home Carer's Tax Credit (Max)</b>	770	770
<b>PAYE Tax Credit</b>	1,490	1,760
<b>Age Tax Credit</b>		
(a) Single/Widowed	250	275
(b) Married	500	550
<b>Incapacitated Child Tax Credit (See Note 1)</b>	1,500	3,000
<b>Dependent Relative Tax Credit (See Note 1)</b>	80	80
<b>Blind Person's Tax Credit</b>		
(single person)	1,500	1,760
(one spouse blind)	1,500	1,760
(both spouses blind)	3,000	3,520
<b>Additional Allowance for Guide Dog</b>	*825	*825
<b>Incapacitated Person - Allowance for Employing a Carer</b>	*50,000 max	*50,000 max
* Relief in respect of a Guide Dog and for Employing a Carer are allowable at the individual's highest rate of tax i.e. 20%/42% in 2006 or 20%/41% in 2007.		

## EXEMPTION LIMITS

Personal Circumstances	Tax Year 2006	Tax Year 2007
	€	€
<b>Single/Widowed</b> under 65 65 years of age or over	5,210 17,000	5,210 19,000
<b>Married</b> under 65 65 years of age or over	10,420 34,000	10,420 38,000
<b>Additional for Dependent Children</b> 1st and 2nd child (each) Each subsequent child Marginal Relief Tax Rate	575 830 40%	575 830 40%

## TAX RATES and TAX BANDS

Personal Circumstances	Tax Year 2006	Tax Year 2007
	€	€
<b>Single/Widowed</b> without dependent children	32,000@ 20% Balance @ 42%	34,000 @ 20% Balance @ 41%
<b>Single/Widowed</b> qualifying for One-Parent Family tax credit	36,000@ 20% Balance @ 42%	38,000 @ 20% Balance @ 41%
<b>Married couple</b> (one spouse with income)	41,000@ 20% Balance @ 42%	43,000 @ 20% Balance @ 41%
<b>Married couple</b> (both spouses with income)	41,000@ 20% (with an increase of 23,000 max.) Balance @ 42%	43,000 @ 20% (with an increase of 25,000 max.) Balance @ 41%

## HOW TO CALCULATE YOUR TAKE HOME PAY

### Example 1:

John is single, and has no children. He earns €10 per hour and he works 40 hours per week

40 hours by €10 is equal to €400 (Gross Pay)	$40 \times 10 =$	€400
Standard rate cut-off point (SRCOP) p.a. is €34,000, so for 1 week = €650, so he pays NO higher rate		
John must pay 20% tax on €400	Minus 20% of €400 =	
Because John is single and has no children, his tax credit is (€       + €       ) / 52 =	Plus	
The tax credit is deducted from the Gross tax, and gives Net Tax		Minus
PRSI Class A is 5% approximately	Minus 5% of €400 =	Minus
So John's take home pay (Net Pay) is		

## HOW TO CALCULATE YOUR TAKE HOME PAY

### Example 2:

Sonia is single, and has no children. She earns €20 per hour and she works 40 hours per week

40 hours by €20 is equal to €800 (Gross Pay)	40 x 20 =	€800
Standard rate cut-off point (SRCOP) p.a. is €34,000, so for 1 week = €650, so he pays the higher rate of 41% on €		
Sonia must pay 20% tax on €	Minus 20% of € =	
Sonia must pay 41% tax on €	Minus 41% of € =	
Because Sonia is single and has no children, her tax credit is (€ + € ) / 52 =	Plus	
The tax credit is deducted from the Gross tax, and gives Net Tax	_____ =	Minus
PRSI Class A is 5% approximately	Minus 5% of €800 =	Minus
So Sonia's take home pay (Net Pay) is		

## HOW TO CALCULATE YOUR TAKE HOME PAY

### Example 3:

Roger is married, and has 3 children. He earns €20 per hour and he works 40 hours per week

40 hours by €20 is equal to €800 (Gross Pay)	$40 \times 20 =$	€800
Standard rate cut-off point (SRCOP) p.a. is € _____, so for 1 week he pays € _____, so he pays the higher rate of 41% on € _____		
Roger must pay 20% tax on € _____	Minus 20% of € _____ =	
Roger must pay 41% tax on € _____	Minus 41% of € _____ =	
Because Roger is married, his tax credit is (€ _____ + € _____) / 52 = _____	Plus _____	
The tax credit is deducted from the Gross tax, and gives Net Tax _____	_____ =	Minus _____
PRSI Class A is 5% approximately	Minus 5% of €800 =	Minus _____
So Roger's take home pay (Net Pay) is _____		

## HOW TO CALCULATE YOUR TAKE HOME PAY

### Example 4:

Monica is married, and has 2 children. She earns €30 per hour and she works 40 hours per week

40 hours by €30 is equal to €1200 (Gross Pay)	$40 \times 30 =$	€1200
Standard rate cut-off point (SRCOP) p.a. is € , so for 1 week she pays € , so she pays the higher rate of 41% on €		
Monica must pay 20% tax on €	Minus 20% of € =	
Monica must pay 41% tax on €	Minus 41% of € =	
Because Monica is married, her tax credit is (€ + € ) / 52 =	Plus	
The tax credit is deducted from the Gross tax, and gives Net Tax		Minus
PRSI Class A is 5% approximately	Minus 5% of €800 =	Minus
So Monica's take home pay (Net Pay) is		

**PAYE WORKSHEET**

**MODULE: BANKS & MONEY**

**LEVEL: R2 LOWER**

<b>Time: 2 hours</b>	<b>Focus: Scan reading, tax vocabulary / information, calculate your take home pay</b>
<b>Class organisation: Individual (scan reading) Groups (check reading) Groups (calculations)</b>	<b>Type of activity: Reading &amp; Speaking</b>
<b>Can be adapted to: R1T or R2U, PreVoc</b>	<b>Prerequisites: Present Simple, some knowledge of tax vocabulary, basic knowledge of maths</b>

**For this activity you need...**

PAYE Income tax WS  
Tax credits & Tax bands

**4x Calculators (maybe)**

**N.B.**

You need about 2 hours for this activity, and maybe an another day (or another hour or so) to do Examples 3 & 4



### **In Class Procedure at a Glance**

Introduction: Ask SS what they know about salaries and taxes in Ireland. Make sure they know what PAYE (Pay As You Earn, a tax on your salary for government services like hospitals, schools, police etc) and PRSI (Pay Related Social Insurance: social welfare, sick payments and pensions). See if anybody knows what percentage of gross salary you pay in taxes / PRSI. Explain / elicit gross salary / net salary. Has anybody worked in Ireland? Did they pay tax? Etc.

PART 1: Give out the photocopies (1) Tax Credits & (2) Exemption Limits / Tax Rates & Bands. Check that SS understand these terms (note: 'tax credit' is a very difficult concept to explain, but make sure they know it's 'good' and tax and PRSI are 'bad').

Now give out the reading comprehension photocopy. Let SS work individually. After 10/15 minutes or so, put them in groups to check their answers. Make sure before they start that they see that the 3 headings on the Reading [(1) & (2) above] correspond to the 3 headings/sections on the comprehension check.

PART 2: Now teacher has to do Example 1 on the board with the help of the students. Go as slowly as necessary as this could be very difficult for some students to follow, especially the idea that 'tax credits are good'. This is crucial to understanding how the Irish tax system works. You will probably need a calculator, but try to keep the numbers simple by rounding up the numbers.

If SS seems to have followed the example, now get them to do Example 2 in groups. This is where (hopefully) some students will explain to the others in English how to do it. You will have to walk around and monitor and help them get through the difficult parts.

Now you need to go through the answer on the board, step by step.

You may want to give out the Answer Sheet at this stage.

If there is still time, do Examples 3 & 4. Otherwise, leave them for a follow-on activity next day.

### **Variations / Comments / Supplementary Activities**

As stated above, Examples 3 & 4 will probably have to be left for another day.