

Leaving Certificate Resource Management Notes

Household income: (money coming into the home)

Sources of income =

1. Wages (weekly payment)
2. Salary (monthly or fortnightly payment)
3. Social welfare allowances
4. Social welfare benefits
5. Pensions
6. Interest / Dividends on investments or shares
7. Income from EU farming subsidies
8. Income from renting accommodation

Deductions from income:

<u>Compulsory (statutory) Deductions</u>	<u>Voluntary Deductions</u>
PAYE (INCOME TAX)	Private Health care insurance (VHI, BUPA, VIVAS)
PRSI (Pay related social insurance)	Pension (Superannuation)
Health Levy (cuurrently 2% of income)	Union membership eg INTO, ASTI
	Saving schemes
	Special illness cover

How do you calculate an individuals Tax liability?

1. Total income for the year must be calculated
2. Total income must be deducted at the correct rate depending on the individuals situation
3. Every employee pays tax at the standard rate up to a certain limit depending on status (eg single / married)
4. Once the limit “standard rate cut off point is reached any income earned above this cut off is taxed at 42%
5. Self-employed calculate and pay their tax direct to the Revenue, Employees tax is taken direct from salaries by Employer and given to Revenue
6. Individuals on very low incomes do not have to pay tax

Tax credits:

- Gross tax – tax credits = tax payable
- Gross tax is calculated on the entire income
- A tax credit is a deduction from the gross tax in order to calculate the tax payable
- Eg Single person is taxed at a rate of 20% for the 1st €29400 and anything earned over this level is charged 42%

- PRSI is a compulsory deduction (no choice you have to pay it if you want to work!)
- Employer's and Employee's share the cost of PRSI, based on a % of income (public servants pay 4%)
- Anyone over 16yrs pays PRSI
- PRSI entitles employees to certain benefits eg unemployment, maternity, disability etc if they need it.
- **Employees must have a minimum of 39 weeks PRSI contributions paid in the year prior to the claim being made
- The very low paid are exempt from paying PRSI

	Social Welfare Payments	
CONTRIBUTORY	NON-CONTRIBUTORY	UNIVERSAL
Social Insurance payments that are based on PRSI contributions paid by the claimant	Social assistance payments which are means tested	Payments that do not depend on PRSI or is not means tested eg.. Child benefit

****MEANS TESTED** = a test that takes into account any income and the value of any assets or property owned by the individual concerned. **Social assistance** payments are generally lower than social insurance payments

eg A hairdresser has been working for 2years (2004& 2005) and no longer has a job (she has paid 39weeks PRSI) in 2004 therefore she is entitled to claim Social **Benefits** eg Employment benefit. If she had only been in the job 6 months she would not be entitled to Social Benefits but she could ask to be means tested to see if she is entitled to social assistance.

FAMILY INCOME SUPPLEMENT (FIS):

- Weekly payment for families (including lone-parents) where employee is in low-paid employment
- Income & family size are used to determine amount of FIS paid
- To qualify for FIS individual must:
 - be in full-time employment @ 19hrs per week
 - have at least 1 dependant child
 - have a weekly income which falls below a fixed amount for family size

*****FIS received is 60% of the difference between the Net family income and the income limit that applies to the family**

Child Benefit:

€141.60 per month for the 1st two children

€177.30 per month for 3rd & subsequent children

-Paid up to age 19yrs if still in Full time education or if physically or mentally disabled