Payroll in Ireland: What Employers Should Know

By [By CloudPay]

For companies looking to expand their businesses internationally, Ireland offers an inviting environment for the growing multinational. Not only does its workforce provide the talent companies need to advance their business goals, but the nation's pro-business attitude and tax schemes make it a prime destination for international expansion

In addition, the country was recently predicted to become the fastest growing economy in the European Union, highlighting the opportunity there.

However, before setting up operations in Ireland, there are several things employers should consider. Despite its welcoming business environment, there are many complexities, especially when it comes to compensating employees. However, equipped with a firm understanding of the nation's payroll rules and regulations, as well as the latest changes for 2015, any business can ensure a successful expansion in Ireland.

Taxation requirements

One of the most important aspects of payroll in Ireland, for employer and employee alike, is taxation. Employees are taxed on a pay-as-you-earn (PAYE) basis, with a progressive scheme based on income level. It is the employer's responsibility to deduct taxes from their employee's pay cheques each pay period and submit them to the Office of the Revenue Commissioners.

The Standard Rate Cut Off Points (SRCOP), which determine the levels at which employees are taxed, have been increased in 2015. The new standard income levels, taxed at 20 per cent, are now 33,800 Euros for a single, widowed or surviving civil partner without dependent children, 37,800 Euros for those qualifying for Single Person Child Career Credit, 42,800 Euros for those who are married or in a civil partnership with one income, and 42,800 Euros and a maximum increase of 24,800 Euros for married couples or those in a civil partnership with two incomes.

In addition, the higher tax percentage has decreased from 41 per cent to 40 per cent on the income above the standard rate cut off point. It is important to remember that the figures above are the standard rates and may vary depending on each individual's circumstances.

Employee and employer social contributions

Another crucial factor in hiring and compensating employees in Ireland is accounting for the various social charges and contributions, known collectively as Pay Related Social Insurance (PRSI).

The costs for PRSI are split between the employer and employee, with the actual amounts determined by income level and the type of work conducted. Just as with employee income tax, the employer is required to deduct the PRSI contributions from employee wages, in addition to submitting the employer contributions.

If the company does not make the correct PRSI contributions, they will be held responsible for the entire contribution and any arrears that are due. The amount of PRSI contributions required is based on a complex scheme comprising of 11 different social insurance classes and job types. Most employees will fall into class A, which includes individuals who work in industrial, commercial and service-type employment and receive pay of at least 38 Euros per week.

Employers should also be familiar with Ireland's Universal Social Charge (USC), a tax payable on gross income and health contributions. Since its implementation in 2011, the USC has been levied at a rate of 2 per cent for the first 10,036 Euros of income, four per cent on the next 5,980 Euros and seven per cent on the balance.

As of 2015, the income brackets and rates have been changed to 1.5 per cent on the first 12,012 Euros, 3.5 per cent on the next 5,564 Euros, 7 per cent on the next 52,468 Euros and 8 per cent on income beyond that. This can also vary depending on an employee's personal circumstances.

Ensuring accurate employee payments

In addition to making the appropriate income tax deductions and social contributions, the employer will have to ensure they compensate their employees appropriately. For instance, they must abide by the minimum wage requirements, currently set at 8.65 Euros per hour for experienced adult workers.

The employer must provide employees with a contract of employment, detailing the basic terms of the job such as place of work, job title, pay information and hours of work each pay period. In addition, employers are required to give employees a pay slip that shows the gross wages before tax as well as all of the deductions from their pay; these can be provided by either hard copy or electronically.

Creating a successful approach to payroll in Ireland

Despite the many complexities and constantly changing regulations concerning payroll in Ireland, success is not out of reach. Any organisation that wants to establish operations in the country will benefit from an understanding of the various requirements and obligations they will have as they hire employees in Ireland.

While the above information provides a good starting point, for the best results, the organisation will benefit from working with a global payroll partner familiar with the intricacies of payroll in Ireland. This way, they can ensure an efficient, modern and successful approach to payroll that compensates all employees on time and in accordance with all of the country's regulations.

For more information on payroll in Ireland read Global Payroll Association fact cards **FACT CARDS**