2.14 Non-resident

Ordinarily resident

Domiciled:

You are liable to Irish income tax on your worldwide income. You are entitled to a tax credit for tax suffered on income arising in a country with which Ireland has a tax treaty. You are entitled to a tax deduction for tax suffered in a non-treaty country.

You are not liable in respect of income from a trade or profession, or employment carried on entirely outside Ireland. You are liable in respect of investment income arising outside Ireland if such income exceeds €3,810 in the tax year.

Not domiciled:

You are liable to Irish income tax on Irish and UK income. You are liable on income arising outside Ireland and UK to the extent to which it is remitted into Ireland.

You are not liable in respect of income from a trade or profession, or employment carried on entirely outside Ireland. You are liable in respect of investment income arising outside Ireland if such income exceeds €3,810 in the tax year.

Not ordinarily resident

Domiciled:

You are liable to Irish income tax on income arising from Irish sources.

If you are an Irish citizen living abroad, or an Irish resident living abroad for health reasons, you may claim a proportion of personal allowances, reliefs and tax credits. If you are an EU citizen, you may claim an appropriate proportion of personal allowances and reliefs.

Not domiciled:

You are liable to Irish income tax on income arising from Irish sources. You are not generally entitled to personal allowances, reliefs or tax credits. If you are an EU citizen, or a resident of a tax treaty country, you may claim a proportion of allowances and reliefs.

Computing your income tax

2.15 Format of income tax computation

In summary, you compute your income tax as follows:

INCOME FROM ALL SOURCES (after deductions allowed only against specific types of income)
Less DEDUCTIONS allowed in computing total income
= TOTAL INCOME
Less DEDUCTION allowed in computing taxable income
= TAXABLE INCOME
taxed at 20% and 41% = TAX
Less TAX CREDITS
= NET TAX LIABILITY

2.16 Income tax exemptions

When computing your income tax, it is always best to check initially:

(a) That you are in fact liable to Irish tax in the first place (i.e., that you are resident in Ireland for tax purposes, or that the income is subject to Irish tax because it is derived from an Irish source).

(b) That the income in question is liable to income tax (i.e., that it is not exempt). The following types of income are exempt:

(i) Personal injury settlements, payments from the Haemophilia HIV Trust, Hepatitis C compensation, and payments in respect of thalidomide victims.

(ii) Part of a payment made to an employee in respect of redundancy or restructuring.

(iii) Income of artists, writers and composers – up to €40,000 per annum.

(iv) Interest on savings certificates and instalment savings schemes.

(v) Home childcare earnings of up to €15,000 in the tax year.

Your income tax computation varies depending on whether you are single, married, or widowed. The computations below show how the tax is calculated in each instance, and explains, line by line, the various deductions and reliefs that you may claim when computing your income tax liability.

2.17 Married couples

If you are a married couple, you can opt to be treated for tax purposes as follows:

(a) Single assessment. Each of you is treated as a single person, and each gets the standard tax credit for a single person. Single assessment is generally less advantageous than joint assessment because you can lose the unused part of the lower earning spouse's standard rate band, and any unused allowances of that spouse.

(b) Joint assessment. Your joint income is combined, and you get a married couple's standard tax credit, which is double the single person's tax credit. Unless you elect otherwise, as a married couple you are automatically treated as jointly assessed, with the main earner entitled to the married tax credit and responsible for filing the tax return. Either of you may elect at any time in the tax year to be treated as a single person. Joint assessment means that even if the lower earning spouse does not have income taxed at the higher rate, the unused part of the lower earner's standard rate band can be used by the higher earner. Revenue do not generally allow joint assessment if one of you is non-resident, but may do if the non-resident spouse's income is fully chargeable to Irish tax.

(c) Separate assessment. Each of you is taxed on your own income, and each of you is responsible for filing your own tax return. Allowances are generally allocated on the basis of who incurred the expenditure. Any unused part of the lower earning spouse's standard rate band is transferred to the higher earning spouse. In net terms, your tax liability is the same as under joint assessment.

For the purposes of PRSI and universal social charge, each of you is treated as a separate individual.

EXAMPLE

You are a married couple (no children), the main earner with a salary of €49,000 and the lower earner with a salary of €10,000.

Single assessment – main earner

€
6,560 (32,800 x 20%)
6,642 (16,200 x 41%)
13,202
(3,300) tax credits (basic personal tax credit of €1,650 plus PAYE credit of €1,650)
9,902 tax
1,695 (PRSI – [49,000-6,604] x 4%)
2,748 (USC - 10,036 x 2%; 5,980 x 4%; 32,984 x 7%)
14,345