

Recalculated personal allowance (1/36/18)

On 1 August 2018 the State Revenue Service (SRS) sent employers information about recalculated levels of monthly personal allowances (PA) the SRS had estimated for employees. The PA is recalculated twice a year depending on the amount of income an employee received earlier. The recalculated PA may affect the part of the employee's remuneration that is exempt from payroll taxes.

Implications of applying the estimated PA for the month

Before the tax reform, all employees qualified for the same PA throughout the year, but the reform has changed the procedures and levels. From 2018 an employee's remuneration attracts the estimated PA at the place of work where they have filed their payroll tax book as long as their monthly revenue does not exceed €1,000.

The estimated PA was recalculated by 1 August 2018. This means that a new PA has been calculated for the employee on the basis of their total income for the period from 1 December 2017 to 31 May 2018. The SRS will pass this information to the employer via the Electronic Declaration System. This data will be used in computing the employee's remuneration for the period from 1 August to 31 December 2018.

The estimated PA for the period from 1 August to 31 December is calculated in accordance with the Cabinet of Ministers' Regulation No. 676, *Personal allowances and other allowances for personal income tax purposes*. This calculation is based on information about the person's income over the period from 1 December 2017 to 31 May 2018 and on the previous SRS estimate. In certain situations where a lower or no PA has been estimated for the period from 1 January to 31 July, the estimate for a particular month may exceed €200 and even reach the threshold of €480. When computing income subject to salary tax, the employer should apply the PA announced by the SRS.

The estimated PA may prove higher than the actual amount, meaning that less tax has been paid than required. In that case more personal income tax will be due at the end of the year. This may happen, for example, where the employment was started recently, the income rose significantly, or the employee returned from childcare leave.

Employees should monitor their income to avoid any tax difference. It is still possible to ask the employer not to apply the estimated PA.