

Reference No: E107/33/70; **Date:** 18/01/77

Circular 2/1977:- Payment of Salaries on a Fortnightly Basis

A Dhuine Uasail

I am directed by the Minister for the Public Service to inform you that, following acceptance by the Minister of an agreed recommendation Of the General Council, the arrangements set out below should be introduced on or before 6 April, 1977.

2. Staff who are paid twice a month at present should be paid on a fortnightly basis with effect from the earliest possible date Departments/Offices may select any working day of the week at the fortnightly pay day Gross fortnightly payments of salary and allowances should be calculated by dividing annual salary and allowances by 26.09 and rounding, where necessary, up to the next complete 1p.

3. Accountants should proceed to plan arrangements for the implementation of fortnightly pay. If any difficulties arise this Department should be consulted as soon as possible. If necessary, instructions or guidelines on problems of general application, which may arise, will be issued by this Department.

4. Deductions for social welfare contributions, life assurance premiums etc should be made on the principles used in Circular 38/76 regarding the extension of the PAYE system to employees not previously covered by that scheme as follows:-

Flat-rate Social Insurance Contributions - fortnight	-	Twice the weekly contribution should be deducted every fortnight
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Pay-related Social Insurance Contributions	-	As in Circular 38/76
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Civil service contributory pension scheme (1½% or, in some cases, multiples thereof)	-	As in Circular 38/76
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Staff Association Subscriptions	-	The annual rate should be divided by 26 and rounded to the nearest 1p to give the appropriate deduction. In the case of officers who are members of the CPSSA the weekly deduction should be doubled.
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Savings Schemes (Savings Certificates) and National instalment Savings)	-	(1) Savings Certificates are purchased in multiples of £10 over a 40 week (or 10 month) cycle This amount is evenly divisible by 20 to give the appropriate fortnightly deduction. The deduction must, of course, be suppressed at the end of each cycle
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(2) National Instalment Savings are deducted over 12 months (48 weeks in the case of fortnightly paid staff). The annual total is, therefore, evenly divisible by 24 to give the appropriate fortnightly deduction. Deductions from fortnightly paid staff must, of course, be suppressed for the 25th and 26th (and possibly 27th pay days in each annual cycle.

Civil Service Benevolent Fund	-	The appropriate amount should be divided by 26 and rounded to the nearest 1p to give the appropriate fortnightly deduction.
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Civil Service Society	-	To obtain the amount to be deducted fortnightly the appropriate annual amount should be divided by 26 rounding to the nearest 1p. Other instructions as in Circular 38/76.
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Life Assurance Premiums - Departments may adopt either of the following methods of deduction depending on whichever is more convenient. (Alternative i should be the more effective method in most cases)

(1) The quarterly premium for each policy should be divided by 6 and rounded to the nearest 1p to give the appropriate fortnightly deduction. Where there are 7 fortnightly pay days in a quarter no deduction should be made in respect of the seventh pay day. Other instructions as in Circular 38/76, or

(2) (a) The annual premium for each policy should be divided by 52 and rounded to the nearest penny.

(b) The result should be multiplied by 2 to give the appropriate fortnightly deduction.

(c) 13 times the result at (a) above should be remitted to the assurance companies each quarter.

(d) This deduction will require a book reconciliation every quarter. Cumulative deductions should balance with payments to assurance companies every six months.

(e) Other instructions as in Circular 38/76.

Note: See Circular Ltr 7/77. Departments/Offices should notify assurance companies of (i) when the changeover to fortnightly pay takes place, (ii) the method of deduction being used and (iii) of any changes in quarterly premiums arising.

Voluntary Health Insurance - Departments may adopt either of the following methods of deduction depending on whichever is more convenient. (Alternative 1 should be the more effective method in most cases)

(1) The annual premium should be divided by 24 and rounded to the nearest 1p to give the appropriate fortnightly deduction. Where there are 7 fortnightly pay days in a quarter no deduction should be made in respect of the seventh pay day. Other instructions as in Circular 38/76, or

(2) Weekly rates of deduction should be multiplied by 2 to give the appropriate fortnightly deductions. 13 times the weekly deduction should be remitted to the Voluntary Health Insurance Board in every quarter. This method of deduction will require a book reconciliation every quarter. Cumulative deductions should balance with payments every 6 months. Other instructions as in Circular 38/76.

Departments/Offices should notify the Voluntary Health Insurance Board of (i) when the changeover to fortnightly pay takes place and (ii) the method of deduction being used and (iii) any changes in quarterly premiums arising.

5. The initial payment period should not be greater than a fortnight. If it is less than an exact fortnight (it will be an exact fortnight for those whose first fortnightly pay day is 14 April 1977) the appropriate daily rate of pay and allowances should be calculated by dividing the fortnightly rate by 14. The result should then be multiplied by the number of days in the payment period to give the appropriate pay and allowances rounding to the nearest 1p. Deductions for the initial payment period should be as set out in paragraph 4 above.

6. Whenever there is a 27th pay day in a pay year for fortnightly paid staff no deduction should be made on the 27th pay day of the year in respect of items (other than statutory deductions) which have already been fully deducted in respect of that year over the previous 26 pay-days.

PAYE

7. (i) With regard to the operation of PAYE for fortnightly pay every certificate of tax free allowances irrespective Of the pay frequency of the employee shows -

- (a) amount of annual tax free allowances
- (b) monthly equivalent of figure at (a)
- (c) weekly equivalent of figure at (a)

(ii) The Income Tax calendar published in the "Employers Guide" specifies the 53 weekly pay periods and the 12 monthly pay periods into which the year is divided for PAYE purposes.

(iii) The cumulative tax free allowances as at week 2,4,6,8 etc should be granted against cumulative pay as at 1st, 2nd, 3rd, 4th, etc fortnightly pay days in any income tax year as explained at paragraph 112 (revised October, 1976) of the "Employers Guide". If there are 27 pay days in the year, the instructions in paragraph 282A (inserted October, 1976) should be followed.

(iv) Departments/Offices which use official Tax Deduction Cards (Forms P9, P11) should forward to the Inspector of Taxes, Public Departments, Hawkins House, Dublin 2, lists setting out the names and serial numbers (including the alphabetic check character) of the employees who are to be changed from a twice monthly basis to a fortnightly basis Arrangements will then be made for the issue in these cases of tax deduction cards showing tax free allowances on a weekly basis The Inspector should be advised when the lists are being sent to him of the date of the first fortnightly pay day. If that date is after 5 April 1977 (year 1977/78) lists should be sent prior to 1 February 1977 If the first fortnightly pay day is in 1976/77 (i.e. prior to 6th April, 1977) the lists should be submitted at least one month before the first fortnightly pay day.

(v) The appendix to this Circular sets out how PAYE should be handled if the first fortnightly pay day is in 1976/77 (ie prior to 6 April 1977).

(vi) The instructions in paragraph 112 of the Employers Guide should be followed for all fortnightly pay days in 1977/78, including the first fortnightly pay day if it falls in that year.

8. If any difficulties arise out of the amendment of existing computerised payroll systems in order to handle fortnightly payments, Central Data Processing Services (CDPS) should be consulted (Telephone 753351 Ext 16) It may be found necessary to change some of the procedures set out in this circular in connection with the computerisation of payroll by the Central Data Processing Services in order to permit the computer systems to be utilised in the most cost effective manner. Any such variations found necessary by CDPS may be adopted.

9. Any enquiries about the operation of PAYE for fortnightly pay should be made to the Office of the Revenue Commissioners (Tel 749277). General enquiries about the operation of fortnightly pay should be made to this Department (Tel 767571 Ext 261)

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John Mc Gartoll

Appendix

PAYE operation for 1976/77

Where the changeover from twice monthly pay to fortnightly pay takes place before 6 April 1977

If the first fortnightly pay day is in one of the fortnightly periods shown in column 1 the cumulative tax-free allowances due at the corresponding week number shown in column 2 should be given against the cumulative pay on that pay day.

CHANGEOVER CHART

Col. 1 Fortnightly period (both dates inclusive)	Col. 2 Cumulative allowances at Week No.
WED 15 DEC 1976 - TUE 28 DEC 1976	38
WED 29 DEC 1976 - TUE 11 JAN 1977	40
WED 12 JAN 1977 - TUE 25 JAN 1977	42
WED 26 JAN 1977 - TUE 8 FEB 1977	44
WED 9 FEB 1977 - TUE 22 FEB 1977	46
WED 23 FEB 1977 - TUE 8 MAR 1977	48
WED 9 MAR 1977 - TUE 22 MAR 1977	50
WED 23 MAR 1977 - TUE 5 APR 1977	52

NOTE:- The "Changeover Chart" is valid only in the context of the circumstances outlined above and is of no relevance for any other purpose

Example 1

1. Last pay day on twice-monthly basis is 31 DEC 1976. First pay day on fortnightly basis is Friday 14 JAN 1977.

2. Presume -

Annual tax-free allowances	£780.00
Weekly equivalent	£15.00
Monthly equivalent	£65.00
Twice-monthly equivalent	£32.50

3. In PAYE calculation on 31 DEC 1976 cumulative allowances due at Month 9 are granted ie $9 \times £65 = £585$.

4. On pay day of 14 JAN 1977, per "Changeover Chart" cumulative allowances as at Week 42 are due i.e $42 \times £15 = £630$ against the cumulative pay up to 14 JAN 1977 inclusive.

5. On second fortnightly pay day i.e. on Friday 28 JAN 1977 cumulative allowances at Week 44 are due, on 11 FEB 1977 Week 46, etc.

Example 2

1. Last pay day on twice monthly basis is 16 JAN 1977 which as it is a Sunday would effectively be Friday 14 JAN 1977. First pay day on fortnightly basis 28 JAN 1977.

2. Presume same allowances as for Example 1.

3. In PAYE calculation on 14 JAN 1977 cumulative allowances due in middle of month 10 are granted i.e. $9 \times £65 + £32.50 = £617.50$. (Para 114A Employers Guide).
4. On pay day of 28 JAN 1977 per "Changeover Chart" cumulative allowances at Week 44 are due i.e. $44 \times £15 = £660$ against the cumulative pay up to 28 JAN inclusive.
5. On second fortnightly pay day i.e on 11 FEB 1977 cumulative allowances at Week 46 are due etc.