



Information Services
Department of Social Protection
Social Welfare Services
College Road
Sligo

2014

Advance notice of PRSI changes for computer users

**This notice contains rate changes in PRSI announced in the October 2013 Budget and in previous budgets.
Changes are effective from 1 January 2014.**

Employee PRSI

There are no changes in employee rates of PRSI.

Self-employed Payments

There are no changes to the rate of self-employed PRSI or in the minimum/flat rate self-employed PRSI payments.

Employer PRSI

The 4.25% employer PRSI rate currently applied to employees with weekly earnings of €352 or less, will revert to the original 8.5% rate from 1 January 2014.

The halving of the 8.5% employer rate to 4.25% was implemented on a 2 ½ year time limited basis to apply from 1 July 2011 until the end of 2013.

There are no changes in the higher 10.75% employer PRSI rate.

Broadening of the income base on which PRSI is charged

From 1 January 2014, PRSI at the Class K rate of 4% is chargeable on the additional unearned income:

- of employees or occupational pensioners under 66 years (whether that pension arises from that person's own employment or the employment of his or her spouse or civil partner)
 - where the unearned income is their **only** additional source of income and it is taxable under the Revenue Commissioners' self-assessed system
- and**
- the individual is a "chargeable person" for income tax purposes. (See definition of "chargeable person" under General PRSI Information).

Note: This measure will not affect those who have already reached pension age and are therefore exempt from PRSI.

General PRSI Information

Income for PRSI purposes

PRSI is calculated on the employee's reckonable pay **plus** notional pay (or benefit in kind) if applicable.

Share-based Remuneration

- Employee PRSI only is payable on share-based remuneration. There is no employer PRSI chargeable on share-based remuneration.
- The obligation to deduct and remit PRSI in respect of share-based remuneration generally rests with the employer. Accordingly the PRSI payable should be deducted by the employer through payroll along with other PRSI liabilities and remitted to the Collector-General with the monthly P30 return.
- Different arrangements may apply in the case of PRSI on gains from the exercise of certain share options.

For more information, log on to **www.welfare.ie**

(<http://www.welfare.ie/EN/Topics/PRSI/Pages/PRSIonShareBasedRemuneration.aspx>) and

www.revenue.ie (Revenue - Irish Tax & Customs).

Illness Benefit and Occupational Injury Benefit

Illness Benefit and Occupational Injury Benefit are taxable payments. When an employee is absent from work due to illness and receives or is entitled to receive illness or occupational injury benefit, tax is collected through the PAYE system. These benefits are not however subject to PRSI or USC. PRSI should only be charged on the difference between the wages, salary etc., and the amount of the Illness Benefit/Occupational Injuries Benefit received.

Maternity Benefit, Adoptive Benefit and Health and Safety Benefit

From 1 July 2013, Maternity Benefit, Adoptive Benefit and Health and Safety Benefit payments are taxable in full. These benefits are exempt from USC and PRSI. Individuals who pay their tax through the PAYE system will, where possible, automatically have their annual tax credits and rate bands reduced by the amount of these payments. Revenue will receive details of the benefit from the Department of Social Protection. Employers will be advised by the Revenue Commissioners of the adjusted tax credits and rate bands on employee tax credit certificates.

Pension Contributions

- PRSI is fully chargeable on payments by private sector employees in respect of:
 - Superannuation contributions
 - Permanent health benefit schemes (including income continuance schemes)
 - Revenue approved schemes established under irrevocable trusts, overseas pension schemes and other Revenue exempt approved schemes
 - Personal Retirement Savings Account
 - Deductions in respect of Revenue approved retirement funds
- Civil and public servants will pay PRSI on the 'Pension levy' portion of their salaries.
- Civil and public service employers do not have to pay any employer PRSI on the 'Pension levy'.

Employee's Income Thresholds

- The threshold for employee PRSI remains at €352 a week.
- Office holders pay PRSI at a rate of 4% on all income, where their income is over €5,200 per annum. They should be returned at Class K1.
- People with a nil liability, such as persons in receipt of occupational pensions should be returned at Class M.
- For income of more than €500 a week, Subclass A1, A4, B1, C1, D1, H1, J1, or S1 should be returned.
- PRSI Classes B, C and D will pay PRSI at 0.9% below €1,443 a week and 4% above €1,443 a week.

Employee's PRSI-Free Allowance

There is no employee PRSI-free allowance. Once weekly earnings exceed the threshold at which PRSI is chargeable, PRSI is calculated on all the earnings.

General PRSI Information continued

Self-employed PRSI

- The Class S rate remains at 4% and continues to be payable only on annual income of €5,000 or more. The minimum annual contribution for Class S is €500.
- For those with an annual self-employed income in excess of €5,000 but who have no net liability to tax, the Class S flat rate of payment is €310.

Broadening of the income base on which PRSI is charged

In Budget 2013 it was announced that the income base on which PRSI is charged would be broadened to include sources of income on which PRSI was previously not chargeable. This is being implemented in 2 phases.

2013 Changes - Modified Rate Contributors

In **2013**, the non-employment income of **modified rate employees** (Classes B, C and D) became subject to PRSI at 4%.

From 1 January 2013, PRSI is chargeable on **all** additional non-employment income of modified rate employees, where that employee has **earned** self-employed income (from a profession or trade) and the tax on that income is collected through the Revenue Commissioner's self-assessed system.

From 28 June 2013 PRSI is chargeable on the additional non-employment income of modified rate employees which is taxed within PAYE and is deducted at source.

The PRSI paid is classified for the purposes of recording the contribution under PRSI Class K. Class K contributions do not give entitlement to any social insurance benefits based on the payment of that PRSI charge. Individuals may however qualify separately for social insurance entitlements based on PRSI paid on other sources of income i.e. PRSI paid on income from their employment.

For more information, log on to **www.welfare.ie** (<http://www.welfare.ie/en/Pages/PRSI---Pay-Related-Social-Insurance---Contributions-and-Clas.aspx>).

2014 Changes - Employees/Pensioners under 66 years with unearned income only

From 1 January 2014, PRSI is chargeable on certain additional unearned income where the individual is:

- an employee or an occupational pensioner under 66 years (whether that pension arises from that person's own employment or the employment of his or her spouse or civil partner) and
- where the unearned income is the only additional source of income and it is taxable under the Revenue Commissioners' self-assessed system and
- the individual is a "chargeable person" for income tax purposes.

Note: This measure will not affect those who have already reached pension age and are therefore exempt from PRSI.

A "chargeable person" for Revenue purposes is generally a person who has income in excess of €3,174. A "chargeable person" does not include a PAYE taxpayer (i) who does not have other income, or (ii) who has an element of other insignificant income that is already fully taxed through the Revenue Commissioners PAYE system. Revenue regard amounts not exceeding €3,174 as insignificant.

The PRSI paid is classified for the purposes of recording the contribution under PRSI Class K. Class K contributions do not give entitlement to any social insurance benefits based on the payment of that PRSI charge. Individuals may however qualify separately for social insurance entitlements based on PRSI paid on other sources of income i.e. PRSI paid on income from their employment.

For more information, log on to **www.welfare.ie** (<http://www.welfare.ie/en/Pages/Frequently-Asked-Questions-on-the-Broadening-of-the-Income-Base-for-PRSI-.aspx>)
(<http://www.welfare.ie/en/Pages/Information-on-the-Extension-of-PRSI-Liability-to-Unearned-Income.aspx>)

Income bands and subclasses

Subclasses	AO	A6, A8, BO, CO, DO & HO
Weekly	€38 to €352	up to and including €352
Fortnightly	€76 to €704 *	up to and including €704
Monthly	€165 to €1,525 *	up to and including €1,525

* This threshold only applies to Class A employees, whose total earnings/income, including if appropriate share-based remuneration, in each week of the fortnight or month are at least €38.

Subclass	AX
Weekly	€352.01 to €356
Fortnightly	€704.01 to €712
Monthly	€1,525.01 to €1,543

Subclass	AL
Weekly	€356.01 to €500
Fortnightly	€712.01 to €1,000
Monthly	€1,543.01 to €2,167

Subclasses	A7, BX, CX, DX & HX	A9	JO, M, SO
Weekly	€352.01 to €500	more than €352	up to and including €500
Fortnightly	€704.01 to €1,000	more than €704	up to and including €1,000
Monthly	€1,525.01 to €2,167	more than €1,525	up to and including €2,167

Subclasses	A1 and A4
Weekly	more than €500
Fortnightly	more than €1,000
Monthly	more than €2,167

Subclass	K1 (Office Holders only)*
Weekly	more than €100
Fortnightly	more than €200
Monthly	more than €433

* Class K1 refers to Office Holders only and does not refer to any other Class K contributions paid.

PRSI contribution rates from 1 January 2014

Non-cumulative weekly income band	PRSI Subclass	How much of weekly income	Employee %*	Employer %	Employee & Employer %
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Private and some public sector employments

Up to €37.99	JO	All	0	0.50	0.50
€38 - €352	AO	All	0	8.50	8.50
€352.01 - €356	AX	All	4.00	8.50	12.50
€356.01 - €500	AL	All	4.00	10.75	14.75
More than €500	A1	All	4.00	10.75	14.75

Use the following subclasses (A6, A7 and A4) only for existing approved employees under the Employer Job (PRSI) Exemption Scheme.

Up to €352	A6	All	0	0	0
€352.01 - €500	A7	All	4.00	0	4.00
More than €500	A4	All	4.00	0	4.00

Use the following subclasses for Community Employment participants.

Up to €352	A8	All	0	0.50	0.50
More than €352	A9	All	4.00	0.50	4.50

Class J normally relates to people with reckonable earnings of less than €38 a week (from all employments). However, the following employees are insurable at Class J, regardless of earnings: employees aged 66 or over and people in subsidiary employment.

Up to €500	JO	All	0	0.50	0.50
More than €500	J1	All	0	0.50	0.50
FÁS Allowance	J9	All	0	0.50	0.50

Office Holders

Up to €100	M	All	0	0	0
More than €100	K1	All	4.00	0	4.00

Class M relates to people with a nil contribution liability (such as employees under age 16 and persons in receipt of occupational pensions).

Occupational Pensions

All income	M	All	0	0	0
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* Share-based remuneration may, in certain circumstances, be subject to employee PRSI. Employers PRSI is not chargeable on share based remuneration.

PRSI contribution rates from 1 January 2014

Non-cumulative weekly income band	PRSI Subclass	How much of weekly income	Employee %*	Employer %	Employee & Employer %
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Public sector employments

Up to €352	BO	All	0	2.01	2.01
€352.01 - €500	BX	All	0.90	2.01	2.91
More than €500	B1	Up to €1,443 inclusive	0.90	2.01	2.91
		Balance	4.00	2.01	6.01

Up to €352	CO	All	0	1.85	1.85
€352.01 - €500	CX	All	0.90	1.85	2.75
More than €500	C1	Up to €1,443 inclusive	0.90	1.85	2.75
		Balance	4.00	1.85	5.85

Up to €352	DO	All	0	2.35	2.35
€352.01 - €500	DX	All	0.90	2.35	3.25
More than €500	D1	Up to €1,443 inclusive	0.90	2.35	3.25
		Balance	4.00	2.35	6.35

Up to €352	HO	All	0	10.05	10.05
€352.01 - €500	HX	All	3.90	10.05	13.95
More than €500	H1	All	3.90	10.05	13.95

Self-employed (on PAYE system only)

Up to €500	SO	All	4.00	0	4.00
More than €500	S1	All	4.00	0	4.00

* Share-based remuneration may, in certain circumstances, be subject to employee PRSI. Employers PRSI is not chargeable on share based remuneration.

Important points to note

- There is no PRSI relief on pension contributions made by private sector employees.
- PRSI relief on pension contributions paid by private sector employers remains unchanged.
- Civil and public servants pay PRSI on the 'Pension levy' portion of their salaries.
- Civil and public service employers do not have to pay any employer PRSI on the 'Pension levy'.
- Employer and employee PRSI should be added together as normal. If a different subclass applies to the employee and to the employer, the return must always be made at the employee's subclass.
- There is no annual earnings ceiling for PRSI for employees.
- Class A employees earning between €38 and €352 inclusive a week should be recorded under Subclass AO.
- Class A employees earning between €352.01 and €356 a week should be recorded under Subclass AX.
- Class A employees earning between €356.01 and €500 a week should be recorded under Subclass AL.
- For income of more than €500 a week, subclasses A1, A4, B1, C1, D1, H1, J1 and S1, as appropriate, should be returned.
- Community Employment participants earning €352 or less a week should be recorded under Subclass A8. Subclass A9 applies when earnings are more than €352 a week.
- The Class J contribution normally relates to people with reckonable earnings of less than €38 a week (from all jobs). However, a small number of employees are insurable at Class J, regardless of earnings - for example, employees over age 66 and people in subsidiary employment.
- For existing employees taken on under the Employer Job (PRSI) Exemption Scheme:
 - ▶ Subclass A6 is applied to employees earning €352 or less a week - normally insurable at Subclass AO.
 - ▶ Subclass A7 is for those earning between €352.01 and €500 inclusive a week - normally insurable at Subclass AX or AL.
 - ▶ Subclass A4 applies for those earning over €500 a week. This applies to employees who would normally be insurable at Subclass A1 and exempted employees who were previously insured at Class A5.
 - ▶ This scheme is closed for new applicants. The original scheme will remain in place for existing employees for the duration specified at the time of award. It has been replaced by the JobsPlus scheme, details of this scheme are available at www.jobsplus.ie. For participants in the JobsPlus scheme the appropriate rates of PRSI apply to both the employer and the employee.
- You can download PRSI information booklets from our website at www.welfare.ie.

When completing a P35, P60 or P45, do not include any class or subclass of PRSI that did not apply during the year.

This advance notice of PRSI changes for computer users is available on our website at www.welfare.ie or through our PRSI mailing list. If you wish to add your name to our list, please register at www.welfare.ie.