

PRSI, health contribution and income levy

Planning tip!

If you receive employment or pension income you are exempt from self-employed PRSI on investment income including deposit interest. The exemption is lost if you start to earn self-employment income, such as trading income and certain directorships.

PRSI

Rates (excluding health contribution)^a

Earnings	Employer	Employee
Class A1 - most employed persons		
First €75,036 ^b (€52,000 between 1 January 2009 and 30 April 2009)	10.75% ^c	4% ^c
Balance (no ceiling)	10.75%	0%
Class S1 - proprietary and non executive directors, not insurable under Class A	Nil	3%

Self-employed persons

Class S

3%

^a Individuals aged 66 years and over are not liable to pay PRSI

^b For employees the first €127 per week is exempt from PRSI contributions, but not from the health contribution

^c Inclusive of national training fund levy of 0.7%.

Employees' PRSI

PRSI is charged on employment earnings including most benefits. The only allowable deductions are contributions paid to an approved employee superannuation scheme, certain maintenance payments and certain permanent health insurance policies. A weekly PRSI exemption applies to all employees paying PRSI at the full rate (Class A). The first €127 of weekly earnings are exempt from PRSI but not from the health contribution. This exemption operates on a weekly non-cumulative basis. In addition, individuals who earn less than €352 in any week are not required to pay PRSI in that week.

Employers' PRSI

A two tier system of employers' contributions applies for 2009 as follows:

Employee's weekly earnings	Rate
Less than €356	8.5%
€356 or more	10.75%

The rules for calculating income charged to employers' PRSI are the same as those for calculating income for employees' PRSI.

Self-employed PRSI

Self-employed persons are liable for PRSI contributions in respect of income from a trade or profession, or from investment income. The contributions are payable on income net of capital allowances. The minimum contribution payable for 2009 is €253. Payment must be included with preliminary tax, which is payable on or before 31 October each year. Self-employed persons whose income from all sources is less than €3,174 for 2009 are not liable to PRSI.

Health contribution

The health contribution is charged as part of an individual's PRSI liability on all personal taxable income including taxable non-cash benefits. Persons under 16 years of age, certain widows/widowers and holders of medical cards and persons aged 70 years or over are exempt from the health contribution. Unlike PRSI, there is no earnings ceiling. The only allowable deductions are capital allowances, certain maintenance payments, contributions to an approved employee superannuation scheme or PRSA and certain permanent health insurance policies. Persons on "low" incomes are, however, exempt from the health contribution. Where an individual's earnings do not exceed €76,036 in a tax year and the individual has suffered the increased 5% health contribution charge at source, he/she can apply to the Department of Social and Family Affairs for a refund of any excess amount paid in the tax year where the employer has not dealt with such refunds.

Employees who earn less than €500 in any week in the year ended 31 December 2009 are exempt from the contribution for that week. If an employee's income for 2009 does not exceed €26,000, the employee is exempt from the contribution for the year. Similarly, self-employed persons whose income, after deducting capital allowances, does not exceed €26,000, are exempt from the health contribution.

Cross-border workers who work and pay social insurance in Northern Ireland or elsewhere in the EU, but who reside in the State, are exempt from the health contribution.

Rates

The health contribution for 2009 is based on the following annualised rate:

First €75,036	3.333%
Next €25,064	4%
Remainder	4.16%

These changes are retrospective to 1 January 2009.

The Social Welfare and Pensions Act also provides that employers must operate separate and distinct health contribution rates under the PAYE system as follows:

Payments made via the PAYE system in the period 1 January 2009 to 30 April 2009		Payments made via the PAYE system in the period 1 May 2009 to 31 December 2009	
First €100,100	2%	First €75,036	4%
Remainder	2.5%	Remainder	5%

New provisions were introduced to "ring fence" ex-gratia termination payments made on redundancy in the period 1 January to 30 April 2009. Under these provisions such termination payments will only be subject to the health contribution at the lower rates outlined above.

Multiple employments

Persons who are paid by more than one employer may pay PRSI on their combined earnings in excess of the employees' earnings ceiling of €76,036. In any such case, a claim should be made to the Department of Social and Family Affairs for repayment of the excess contributions. It is not possible to reclaim Class S PRSI paid in respect of dual directorships, as this is classed as self-employed income in respect of which there is no earnings ceiling.

Planning tip!

Individuals with high levels of investment income who are also employees should avoid creating a low level of earned self-employment income, as the additional PRSI cost could exceed the income earned.

Planning tip!

The question of social insurance liability for Irish people working abroad, and those coming to Ireland to take up employment, should not be overlooked. Careful planning for international assignments can help to reduce or eliminate the often higher cost of social insurance abroad, particularly in mainland Europe.

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Planning tip!

Consider the effect of the income levy on employees earning income marginally below €15,028 pa. The levy will apply to all of their annual income should it exceed €15,028.

Income levy

A new income levy applies with effect from 1 January 2009.

The levy is payable on gross income before relief for specified capital allowances, losses or pension contributions. Income which is otherwise exempt from income tax eg artist exempt income, patent royalties, income from woodlands, stallion fees etc is liable to the income levy. However, bank deposit interest (including EU deposit interest), credit union dividends and certain life policies, investment undertakings and offshore funds are excluded.

Redundancy payments are exempt to the same extent as they are for income tax. Social Welfare payments are also excluded. A deduction may be taken on qualifying maintenance payments.

The annualised income levy rates for 2009 are as follows:

First €75,036	1.67%
Next €25,064	3%
Next €74,880	3.33%
Next €75,140	4.67%
Remainder	5%

The income levy rates which apply to income subject to PAYE will be separate and distinct from the above rates. Under these provisions, employers are required to operate the income levy as follows:

Payments made via the PAYE system in the period 1 January 2009 to 30 April 2009		Payments made via the PAYE system in the period 1 May 2009 to 31 December 2009	
First €100,100	1%	First €75,036	2%
Next €150,020	2%	Next €99,944	4%
Remainder	3%	Remainder	6%

Individuals taxed under the PAYE system, or who have other sources of income, are technically liable to the income levy based on the annualised rates shown above. Should any underpayment arise from the application of the income levy rates under the PAYE system, then Revenue may seek to collect any underpayment directly from such individuals.

New provisions were introduced to "ring fence" ex-gratia termination payments made on redundancy in the period 1 January to 30 April 2009. Under these provisions such termination payments will only be subject to the income levy at the lower rates outlined above.

The gross income exemption threshold for low paid individuals aged over 65 has been reduced to €15,028.

Individuals over 65 years and in receipt of income less than €20,000 pa, or €40,000 pa for a married couple (excluding social welfare pensions) are exempt from the income levy. Medical card holders are also exempt.

Employers are responsible for deducting the levy from their employees' salaries. Self-employed individuals must make a payment of the income levy along with their preliminary tax payment in 2009 and any balance will be collected when their final tax assessment issues. If preliminary tax for 2009 is based on 100% of the 2008 liability, it must include an amount as if the income levy had been payable for 2008.

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