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 Department of Social and Family Affairs  
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 Dublin 2

# 2004

## Advance Notice of PRSI changes for Computer Users

This Notice contains rate changes announced in the December 2003 Budget.  
 Changes are effective from 1 January 2004.

### ► Benefit-in-kind changes

From 1 January 2004, PRSI and income tax must be collected by employers on the taxable value of benefit-in-kind (notional pay), subject to certain exceptions. The taxable value of the benefit must be added to the money salary in the pay period that the benefit is provided and PRSI and income tax calculated on the total. Examples of taxable benefits can include private use of a company car, free or subsidised accommodation, preferential loans, various vouchers, and payment by the employer of his employee's medical insurance or club subscriptions etc.

### ► Employees annual earnings ceiling

The employees annual earnings ceiling (above which they pay no social insurance contributions) has increased from €40,420 to €42,160.

### ► Employee's PRSI-Free Allowance

The PRSI-Free Allowance for employees in Classes A and H with weekly earnings of more than €287 remains at €127 per week and at €26 per week for all employees in Classes B, C and D.

This allowance does not apply to the Health Contribution or the employer's share of PRSI. In other words, in Class A it applies to calculating the 4.00% employee social insurance deduction, but not to their 2.00% Health Contribution. The allowance only applies for weeks of insurable employment in which PRSI is paid. **Remember** that this allowance does **not** affect the gross reckonable weekly earnings thresholds in deciding the appropriate contribution subclass.

For employees paid other than weekly, alternatives to the weekly PRSI-Free Allowance are:

Classes	A	B,C,D
Fortnightly	€254	€52
Monthly	€551	€113

### ► Health contribution

The weekly earnings limit up to which people in ALL classes are exempt from paying the 2% Health Contribution remains at €356

### ► Employer's PRSI

The weekly earnings limit up to which employers pay Class A at the lower PRSI rate of 8.5% remains at €356. The standard rate of employer's PRSI of 10.75% applies on all earnings in any week where an employee's earnings are more than €356.

### ► Earnings bands and subclasses

Subclasses	A0 and A6	A8, B0, C0, D0 and H0
Weekly	€38 to €287	≤€287
Fortnightly	€76* to €574	≤€574
Monthly	€165* to €1,244	≤€1,244

\* This threshold only applies to Class A employees, whose total earnings in each week of the fortnight or month are at least €38.

Subclasses	AX, A7, BX, CX, DX and HX	A9	J0, M and S0
Weekly	€287.01 to €356	>€287	≤€356
Fortnightly	€574.01 to €712	>€574	≤€712
Monthly	€1,244.01 to €1,543	>€1,244	≤€1,543

### Subclasses A1, A2, A4 and A5

Weekly	> €356
Fortnightly	> €712
Monthly	> €1,543

### ► Self-employed PRSI

The minimum annual contribution for Class S remains at €253.

## PRSI contribution rates from 1 January 2004

Non-cumulative weekly earnings Bands	PRSI subclass	How much of weekly earnings	Cumulative earnings ceilings					
			First €42,160			Balance over €42,160		
			EE %	ER %	EE+ER %	EE %	ER %	EE+ER %

### Private and some public sector employments

Up to €37.99	<b>J0</b>	All	0	0.50	0.50	0	0.50	0.50
€38 - €287	<b>A0</b>	All	0	8.50	8.50	0	8.50	8.50
€287.01 - €356	<b>AX</b>	First €127	0	8.50	8.50	0	8.50	8.50
		Balance	4.00	8.50	12.50	0	8.50	8.50
More than €356	<b>A1</b>	First €127	2.00	10.75	12.75	2.00	10.75	12.75
		Balance	6.00	10.75	16.75	2.00	10.75	12.75
	<b>A2</b>	First €127	0	10.75	10.75	0	10.75	10.75
		Balance	4.00	10.75	14.75	0	10.75	10.75

Use the following subclasses (A6, A7, A4 and A5) only for approved employees under the Employer's PRSI Exemption Scheme.

Up to €287	<b>A6</b>	All	0	0	0	0	0	0
€287.01 - €356	<b>A7</b>	First €127	0	0	0	0	0	0
		Balance	4.00	0	4.00	0	0	0
More than €356	<b>A4</b>	First €127	2.00	0	2.00	2.00	0	2.00
		Balance	6.00	0	6.00	2.00	0	2.00
	<b>A5</b>	First €127	0	0	0	0	0	0
		Balance	4.00	0	4.00	0	0	0

Use the following subclasses for Community Employment participants.

Up to €287	<b>A8</b>	All	0	0.50	0.50	0	0.50	0.50
More than €287	<b>A9</b>	First €127	0	0.50	0.50	0	0.50	0.50
		Balance	4.00	0.50	4.50	0	0.50	0.50

Class J normally relates to people with reckonable earnings of less than €38 per 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 €356	<b>J0</b>	All	0	0.50	0.50	0	0.50	0.50
More than €356	<b>J1</b>	All	2.00	0.50	2.50	2.00	0.50	2.50
	<b>J2</b>	All	0	0.50	0.50	0	0.50	0.50
FAS Allowance	<b>J9</b>	All	0	0.50	0.50	Training in FAS training centres		

### Occupational Pensions

Up to €356	<b>M</b>	All	0	0	0	0	0	0
More than €356	<b>K1</b>	All	2.00	0	2.00	2.00	0	2.00

Class M: This class should be used where there is a Nil liability i.e. employees under 16 years of age, people within Class K with a Nil liability, such as people aged 70 or over, medical card holders, widows or widowers. etc.

## PRSI contribution rates from 1 January 2004

Non-cumulative weekly earnings Bands	PRSI subclass	How much of weekly earnings	Cumulative earnings ceilings					
			First €42,160			Balance over €42,160		
			EE %	ER %	EE+ER %	EE %	ER %	EE+ER %

### Public sector employments

Up to €287	<b>B0</b>	All	0	2.01	2.01	0	2.01	2.01
€287.01 - €356	<b>BX</b>	First €26	0	2.01	2.01	0	2.01	2.01
		Balance	0.90	2.01	2.91	0	2.01	2.01
More than €356	<b>B1</b>	First €26	2.00	2.01	4.01	2.00	2.01	4.01
		Balance	2.90	2.01	4.91	2.00	2.01	4.01
	<b>B2</b>	First €26	0	2.01	2.01	0	2.01	2.01
		Balance	0.90	2.01	2.91	0	2.01	2.01

Up to €287	<b>C0</b>	All	0	1.85	1.85	0	1.85	1.85
€287.01 - €356	<b>CX</b>	First €26	0	1.85	1.85	0	1.85	1.85
		Balance	0.90	1.85	2.75	0	1.85	1.85
More than €356	<b>C1</b>	First €26	2.00	1.85	3.85	2.00	1.85	3.85
		Balance	2.90	1.85	4.75	2.00	1.85	3.85
	<b>C2</b>	First €26	0	1.85	1.85	0	1.85	1.85
		Balance	0.90	1.85	2.75	0	1.85	1.85

Up to €287	<b>D0</b>	All	0	2.35	2.35	0	2.35	2.35
€287.01 - €356	<b>DX</b>	First €26	0	2.35	2.35	0	2.35	2.35
		Balance	0.90	2.35	3.25	0	2.35	2.35
More than €356	<b>D1</b>	First €26	2.00	2.35	4.35	2.00	2.35	4.35
		Balance	2.90	2.35	5.25	2.00	2.35	4.35
	<b>D2</b>	First €26	0	2.35	2.35	0	2.35	2.35
		Balance	0.90	2.35	3.25	0	2.35	2.35

Up to €287	<b>H0</b>	All	0	10.05	10.05	0	10.05	10.05
€287.01 - €356	<b>HX</b>	First €127	0	10.05	10.05	0	10.05	10.05
		Balance	3.90	10.05	13.95	0	10.05	10.05
More than €356	<b>H1</b>	First €127	2.00	10.05	12.05	2.00	10.05	12.05
		Balance	5.90	10.05	15.95	2.00	10.05	12.05
	<b>H2</b>	First €127	0	10.05	10.05	0	10.05	10.05
		Balance	3.90	10.05	13.95	0	10.05	10.05

### Self-employed (PAYE system only)

Up to €356	<b>S0</b>	All	3.00	0	3.00	3.00	0	3.00
More than €356	<b>S1</b>	All	5.00	0	5.00	5.00	0	5.00
	<b>S2</b>	All	3.00	0	3.00	3.00	0	3.00

## IMPORTANT POINTS TO NOTE

- PRSI and income tax must be collected by employers on the taxable value of benefit-in-kind (notional pay), subject to certain exceptions. Examples of taxable benefits can include, private use of a company car, free or subsidised accommodation, preferential loans, various vouchers, and payment by the employer of his employee's medical insurance or club subscriptions etc. The taxable value of the benefit must be added to the money salary in the pay period that the benefit is provided and PRSI and income tax calculated on the total.
- The **annual earnings ceiling** for PRSI has increased from **€40,420** to **€42,160** for employees in classes A, B, C, D and H, effective from 1 January 2004.
- For people employed under a contract of service, the **earnings threshold** of €38 from all work decides whether Class J or A applies.
- Class A employees earning between €38 and €287 inclusive per week should be recorded under **Subclass A0**. Class B, C, D and H employees earning €287 or less per week should be recorded under **Subclass B0, C0, D0 or H0**.
- Employees earning between €287.01 and €356 per week should be recorded under **Subclass AX, BX, CX, DX or HX**.
- In all other classes, people earning €356 or less per week in all other classes should be recorded under the **Subclass 0**, that is J0, S0 or Class M (for people within Class K) as appropriate.
- All people earning more than €356 per week should be recorded under **Subclass 1 or 2** in other words A1/A2, B1/B2, C1/C2, D1/D2, H1/H2, J1/J2, K1/M or S1/S2 as appropriate.
- Community Employment participants earning €287 or less per week should be recorded under Subclass A8. Subclass A9 applies when earnings are more than €287 per week.
- Medical card holders and people who get a Social Welfare Widow's or Widower's Pension, Deserted Wife's Benefit or Allowance or One-Parent Family Payment do not have to pay the 2.00% Health Contribution in any week that the reckonable earnings are more than €356. Where earnings are more than €356, record under **Subclass 2** i.e. A2, B2, C2, D2, H2, J2, S2 or Class M (for people within Class K).
- Everyone aged 70 or over qualifies for a medical card and do not pay the 2.00% Health Contribution, regardless of whether or not they have a medical card.
- The Class J contribution normally relates to people with reckonable earnings of less than €38 per 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 employees taken on under the Employer's PRSI Exemption Scheme, Subclass A6 is applied for employees earning €287 or less per week, normally insurable at Subclass A0. Subclass A7 is for those earning between €287.01 and €356 inclusive per week, normally insurable at Subclass AX. In any week where earnings exceed €356, Subclass A4 applies to exempted employees who would normally be insurable at Subclass A1 and Subclass A5 applies for those who would normally be insurable at Subclass A2 (medical card holders, widows/widowers etc.).

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

This leaflet is intended as a guide only and does not purport to be a legal interpretation.