

Main PRSI changes for 2004

- ▶ 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.

- ▶ The annual pay ceiling for PRSI has increased to €42,160 for employees in classes A, B, C, D and H effective from 1 January 2004.

Full details of these changes are outlined inside and should be read carefully.

PRSI contribution rates and user guide

from

1st January 2004 to 31st December 2004



Private and public sector employments

Rates of contribution from 1 January 2004

Class A

This covers employees in industrial, commercial and service-type employment who have reckonable pay of €38 or more per week from all employments and Public Servants recruited from 6 April 1995.

| Subclass | Weekly limits | | Contributors | Annual pay ceiling | |
|---|--------------------------|------------------------|--------------|-----------------------|------------------------------|
| Weekly pay is the employee's money pay plus notional pay (if applicable). | | | | | |
| | Weekly pay band | How much of weekly pay | | Rate on first €42,160 | Rate on balance over €42,160 |
| A0 | €38 - €287 inclusive | All | Employer | 8.5% | 8.5% |
| | | All | Employee | Nil | Nil |
| AX | €287.01 - €356 inclusive | All | Employer | 8.5% | 8.5% |
| | | First €127 | Employee | Nil | Nil |
| | | Balance | Employee | 4.00% | Nil |
| A1 or | more than €356 | All | Employer | 10.75% | 10.75% |
| | | First €127 | Employee | 2.00% | 2.00% |
| | | Balance | Employee | 6.00% | 2.00% |
| A2* | more than €356 | All | Employer | 10.75% | 10.75% |
| | | First €127 | Employee | Nil | Nil |
| | | Balance | Employee | 4.00% | Nil |

*For medical card holders, widows, widowers or lone parents. See notes on page 9.

Community Employment participants only

| Subclass | Weekly limits | Contributors | Annual pay ceiling |
|----------|----------------------|--------------|-----------------------------------|
| A8 | up to €287 inclusive | Employer | 0.5% on full allowance |
| | | Employee | nil on full allowance |
| A9 | more than €287 | Employer | 0.5% on full allowance |
| | | Employee | 4.00% on full allowance over €127 |

Total PRSI: Calculate the employer and employee deductions separately and then add them together.

Private sector employments

Rates of contribution from 1 January 2004

Class J

This normally relates to people with reckonable pay of less than €38 per week (from all employments). However, a small number of employees are insurable at Class J no matter how much they earn, such as employees aged 66 or over or people in subsidiary employment etc, see page 9 and page 10.

| Subclass | Weekly limits | | Contributors | Annual pay ceiling | |
|-----------|-----------------|------------------------|--------------|-----------------------|------------------------------|
| | Weekly pay band | How much of weekly pay | | Rate on first €42,160 | Rate on balance over €42,160 |
| J0 | Up to €356 | All | Employer | 0.5% | 0.5% |
| | | | Employee | Nil | Nil |
| J1 or J2* | More than €356 | All | Employer | 0.5% | 0.5% |
| | | | Employee | 2.00% | 2.00% |
| J2* | more than €356 | All | Employer | 0.5% | 0.5% |
| | | | Employee | Nil | Nil |

*For medical card holders, people aged 70 or over, widows, widowers or lone parents. See notes on page 9.

Occupational pensions

Class K

This covers people receiving income that is not subject to social insurance contributions

but which is liable for the Health Contribution. Income includes occupational pensions, income deriving from positions of certain office holders (such as judges and state solicitors) and income of people aged 66 or over previously liable for Class S.

| | Weekly limits | | No annual ceiling | |
|----------------------|-----------------|------------------------|-------------------|--------------|
| | Weekly pay band | How much of weekly pay | | All Income |
| Record under Class M | Up to €356 | All | | Nil |
| | More than €356 | All | ER EE | Nil 2.00% |

Class M

This covers people with nil contribution liability such as employees under age 16 and

people within Class K with a nil liability (medical card holders, widows or widowers, people aged 70 or over).

Self-employed

Class S

This covers self-employed people, including certain company directors and people with income from investments and rents. See page 10.

| | Weekly limits | | No annual ceiling | |
|-----------|-----------------|------------------------|-------------------|------------|
| | Weekly pay band | How much of weekly pay | | All Income |
| S0 | Up to €356 | All | ER | Nil |
| | | | S/E | 3.00% |
| S1 or S2* | More than €356 | All | ER | Nil |
| | | | S/E | 5.00% |
| S2* | More than €356 | All | ER | Nil |
| | | | S/E | 3.00% |

S/E = Self-employed contributors

*For medical card holders, widows, widowers or lone parents. See notes on page 9.

Public sector employments

Rates of contribution from 1 January 2004

Class B

This covers permanent and pensionable civil servants recruited before 6 April 1995, registered doctors and dentists employed in the civil service and Gardaí.

| Subclass | Weekly limits | | Contributors | Annual pay ceiling | |
|--------------|-------------------------|------------------------|--------------|-----------------------|------------------------------|
| | Weekly pay band | How much of weekly pay | | Rate on first €42,160 | Rate on balance over €42,160 |
| B0 | Up to €287 | All | Employer | 2.01% | 2.01% |
| | | All | Employee | Nil | Nil |
| BX | €287.01- €356 inclusive | All | Employer | 2.01% | 2.01% |
| | | First €26 | Employee | Nil | Nil |
| | | Balance | Employee | .90% | Nil |
| B1 or | more than €356 | All | Employer | 2.01% | 2.01% |
| | | First €26 | Employee | 2.00% | 2.00% |
| | | Balance | Employee | 2.90% | 2.00% |
| B2* | more than €356 | All | Employer | 2.01% | 2.01% |
| | | First €26 | Employee | Nil | Nil |
| | | Balance | Employee | .90% | Nil |

*For medical card holders, widows, widowers or lone parents. See notes on page 9.

Class C

This covers commissioned Army Officers and members of the Army Nursing Service recruited before 6 April 1995.

| Subclass | Weekly limits | | Contributors | Annual pay ceiling | |
|--------------|-------------------------|------------------------|--------------|-----------------------|------------------------------|
| | Weekly pay band | How much of weekly pay | | Rate on first €42,160 | Rate on balance over €42,160 |
| C0 | Up to €287 | All | Employer | 1.85% | 1.85% |
| | | All | Employee | Nil | Nil |
| CX | €287.01- €356 inclusive | All | Employer | 1.85% | 1.85% |
| | | First €26 | Employee | Nil | Nil |
| | | Balance | Employee | .90% | Nil |
| C1 or | more than €356 | All | Employer | 1.85% | 1.85% |
| | | First €26 | Employee | 2.00% | 2.00% |
| | | Balance | Employee | 2.90% | 2.00% |
| C2* | more than €356 | All | Employer | 1.85% | 1.85% |
| | | First €26 | Employee | Nil | Nil |
| | | Balance | Employee | .90% | Nil |

*For medical card holders, widows, widowers or lone parents. See notes on page 9.

Public sector employments

Rates of contribution from 1 January 2004

Class D

This covers permanent and pensionable employees in the public service, other than those mentioned in Classes B and C, recruited before 6 April 1995.

| Subclass | Weekly limits | | Contributors | Annual pay ceiling | |
|--------------|-------------------------|------------------------|--------------|-----------------------|------------------------------|
| | Weekly pay band | How much of weekly pay | | Rate on first €42,160 | Rate on balance over €42,160 |
| D0 | Up to €287 | All | Employer | 2.35% | 2.35% |
| | | All | Employee | Nil | Nil |
| DX | €287.01- €356 inclusive | All | Employer | 2.35% | 2.35% |
| | | First €26 | Employee | Nil | Nil |
| | | Balance | Employee | .90% | Nil |
| D1 or | more than €356 | All | Employer | 2.35% | 2.35% |
| | | First €26 | Employee | 2.00% | 2.00% |
| | | Balance | Employee | 2.90% | 2.00% |
| D2* | more than €356 | All | Employer | 2.35% | 2.35% |
| | | First €26 | Employee | Nil | Nil |
| | | Balance | Employee | .90% | Nil |

*For medical card holders, widows, widowers or lone parents. See notes on page 9.

Class H

This covers NCOs and enlisted personnel of the Defence Forces.

| Subclass | Weekly limits | | Contributors | Annual pay ceiling | |
|--------------|-------------------------|------------------------|--------------|-----------------------|------------------------------|
| | Weekly pay band | How much of weekly pay | | Rate on first €42,160 | Rate on balance over €42,160 |
| H0 | Up to €287 | All | Employer | 10.05% | 10.05% |
| | | All | Employee | Nil | Nil |
| HX | €287.01- €356 inclusive | All | Employer | 10.05% | 10.05% |
| | | First €127 | Employee | Nil | Nil |
| | | Balance | Employee | 3.90% | Nil |
| H1 or | more than €356 | All | Employer | 10.05% | 10.05% |
| | | First €127 | Employee | 2.00% | 2.00% |
| | | Balance | Employee | 5.90% | 2.00% |
| H2* | more than €356 | All | Employer | 10.05% | 10.05% |
| | | First €127 | Employee | Nil | Nil |
| | | Balance | Employee | 3.90% | Nil |

*For medical card holders, widows, widowers or lone parents. See notes on page 9.

Important notice to employers

Finance Act 2003 and Social Welfare (Miscellaneous Provisions) Act 2003

New rules on notional pay (the taxable value of non-cash benefits)

From 1 January 2004, the value of a benefit-in-kind or perquisites (known collectively as benefits) from employers to their employees will be included along with normal cash payments and liable to PRSI and PAYE. These benefits, called notional pay, include low-interest loans or private use of a company car, and perquisites such as gift vouchers, club subscriptions or medical insurance. Employers must combine the value of a benefit i.e. the notional pay, with employee's money wages or salary when calculating, deducting and remitting PRSI and PAYE. The new rules apply to notional pay for:

- employees whose total income from money pay and notional pay is €1,905.00 or more a year
- directors, regardless of how much they earn, and
- benefits received by members of an employee's family or household.

PRSI is due to be paid by both the employer and the employee. Employers who don't know the exact value of a benefit should deduct PRSI and PAYE on the basis of their best estimate of that value.

When to deduct PRSI and PAYE on notional pay

PRSI and PAYE for notional pay is calculated and deducted in the pay period for which the non-cash benefit is received and remitted to the Collector-General as normal. The employer's best estimate of the notional pay for the pay period in which the benefit is provided, must be added to the money wages or salary for that pay period. This applies to perquisites such as medical insurance or club subscriptions paid in a lump sum once a year. However, where employers, for example, provide the use of a company car or a preferential loan, the annual value of the benefit, i.e. the notional pay, can be divided out over the relevant pay periods for which the benefit is available and PRSI and PAYE deducted accordingly.



Deducting and remitting PRSI and PAYE when an employee's money earnings are insufficient

If an employee's money earnings are insufficient in a certain pay period, to cover the full amount of PRSI and PAYE that may be due on all earnings including notional pay, PRSI should be calculated, deducted and remitted in the first instance. PAYE is then deducted and any shortfall is remitted by the employer. Arrangements can be made between the employer and employee to claw back the shortfall over the remainder of the year. An employee has until 31 March of the **following** tax year to refund the shortfall to the employer. After 31 March, any income tax left unpaid should be treated as notional pay and PRSI and PAYE should be applied to it.

Exceptions

- Employers do not need to apply PRSI and PAYE to small benefits worth €100.00 or less as long as an employee receives only one such benefit a year. If a non-cash benefit is worth more than €100.00, PRSI and PAYE must be applied to the full value of the benefit.
- For minor benefits that are offered on an irregular basis, employers may make arrangements with Revenue to pay PRSI and PAYE on behalf of their employees. To do this, employers must factor-in the 'grossed up' value of benefit – this is the notional amount, which if PRSI and PAYE were deducted from it, would leave the employee with the net value of the benefit received. The grossed-up value is determined by reference to the relevant PRSI rate and the employee's marginal rate of tax.

Further Information

A fuller description of these new rules and how to apply them is available in the '*Employers Guide to Operating PAYE and PRSI for Certain Benefits*', published by Revenue and available on their website at www.revenue.ie. Alternatively, please contact the employer's helpdesk on Lo-call 1890 254565.





Summary of PRSI classes

Class A employment

- The **pay threshold** to determine whether employees pay PRSI at Class A or J remains at **€38**.
- Employees paid €38 to €287 inclusive in any week should be recorded under subclass A0.
- Employees paid €287.01 to €356 inclusive in any week should be recorded under subclass AX.
- In any week that the employee is paid more than €356 it should be recorded under subclass A1 or A2*.
- Participants in Community Employment paid €287 or less in any week should be recorded under Subclass A8. In any week that the pay is more than €287 record under subclass A9.
- Community Employment supervisors and employees on apprenticeship schemes are insurable at Class A in the normal way.
- The annual pay ceiling for PRSI has increased to €42,160 for employees.

Class J employment

- The Class J contribution normally relates to people paid less than €38 per week (from all employments). However, a small number of employees are insurable at Class J **no matter how much they are paid**, such as employees aged 66 or over and people in subsidiary employment (defined on Page 10).

Other classes

- Class B, C, D or H employees paid up to €287 inclusive in any week record under subclass B0, C0, D0 or H0.
- Class B, C, D or H employees paid between €287.01 and €356 inclusive, record under subclass BX, CX, DX or HX.
- For people covered under Class J, S or K, paid up to €356 inclusive in any week record under subclass 0 i.e. J0, S0 or Class M (for people within Class K) as appropriate.
- Employees or self-employed (excluding those listed in note below) with pay or income of more than €356 in any week should be recorded under subclass 1 (i.e. B1, C1, D1, H1, J1, S1 or K1).
- Employees or self-employed with pay or income more than €356 in any week, who do not have to pay the the Health Contribution (*see note below) should be recorded under subclass B2, C2, D2, H2, J2, S2 or Class M (for people within Class K).
- The Class S minimum annual contribution for year 2004 remains at €253.
- The annual pay ceiling for PRSI has been increased to €42,160 for employees.

* **NOTE:** Medical card holders, people aged 70 and over and recipients of a Social Welfare Widow's or Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit or Allowance do not have to pay the Health Contribution, even if their pay is more than €356 per week.

Components of the PRSI contribution

The Pay Related Social Insurance (PRSI) contribution is made up of a number of different components including:

- social insurance at the appropriate percentage rate for employees and employers, which varies according to the pay of the employee and benefits for which he or she is insured.
- 2.00% Health Contribution, paid by the employee where applicable, goes to the Department of Health and Children towards funding the Health Services.
- 0.70% National Training Fund Levy, included in the employer's contribution in Classes A and H.

Levels of payment for 2004

PRSI contributions will be payable as follows:

- They will be paid at the appropriate percentage rates for employees with reckonable earnings up to €42,160.
- On reckonable pay of more than €42,160, the employer's share (social insurance and the 0.70% National Training Fund Levy in Classes A and H) is due and the 2.00% Health Contribution by the employee where applicable.
- Class S, social insurance at 3.00% and the 2.00% Health Contribution (where applicable) on **all** reckonable income.

The Health Contribution and National Training Fund Levy are included in the contribution rates outlined on pages 2 to 5.

Reckonable pay

PRSI is calculated on the employee's reckonable pay. The gross money pay **plus** notional pay if applicable, reduced by Superannuation and Permanent Health Insurance contributions made by an employee, deducted under a net pay arrangement by the employer, which are allowable for income tax purposes.

The employee's portion of the Social Insurance Contribution is paid on the employee's reckonable pay to a ceiling of €42,160 in 2004. The employer's portion is payable on all reckonable pay of each employee.

PRSI-free Allowance for employees

The PRSI-free allowance remains at €127 per week (per individual employment) for employees with weekly reckonable pay of more than €287 in Classes A and H, and at €26 for all employees in Classes B, C and D. The allowance does not apply to the Health Contribution or the employer's share of PRSI. In other words, in Class A it applies to the calculation of the 4% employee Social Insurance deduction, but not to the 2% Health Contribution. The allowance is non-cumulative, so, it only applies for weeks of insurable employment in which PRSI is payable (see "holiday pay" on page 10). **Remember that this allowance does not alter the gross reckonable weekly pay threshold that determines the appropriate contribution subclass.**

It is important to note that the method of calculating PRSI outlined on pages 2 to 5 caters for the inclusion of the €127/€26 PRSI-free allowance.

For employees paid other than weekly, alternatives to the weekly PRSI-free allowance are:

| | | |
|-------------|------|------|
| Weekly | €127 | €26 |
| Monthly | €551 | €113 |
| Fortnightly | €254 | €52 |

Medical card holders, widowers, widows, lone parents

It is the employer's responsibility to establish if employees are medical card holders, are aged 70 or over, receive a Social Welfare Widow's/Widower's Pension, One-Parent Family Payment, Deserted Wife's Benefit/Allowance or a Widow's/Widower's Pension acquired under the social security legislation of a country covered by E.C. Regulations, and if so, the employees do not have to pay the 2% Health Contribution, regardless of what they earn.

People, in any of the categories listed above, whose pay or income is more than €356 per week fall into Subclass A2, B2, C2, D2, H2, J2, S2 or M (for people within Class K) as appropriate.

Employees with weekly reckonable pay of €287 or less fall into Subclass A0, B0, C0, D0 or H0. Those paid between €287.01 and €356 fall into Subclass AX, BX, CX, DX or HX.

For people in classes other than A, B, C, D and H, in any week that reckonable pay is €356 or less, Subclass J0, S0 or Class M (for people within Class K) will apply.

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.

Thresholds for PRSI

In general PRSI deductions are decided by the nature of the employment and the amount of the employee's reckonable pay **in any week**. Therefore, the employee's PRSI Class can vary from week to week if pay changes. The following pay thresholds determine the appropriate subclass within Class A **except where otherwise indicated**. For rates tables, see pages 2 to 5.

UP TO €37.99 (from all employments) – J0

Insurable for occupational injuries benefits only, regardless of hours worked.

Note: Class J also applies to all employees aged 66 and over and employees in subsidiary employment (see page 10) **regardless of what they are paid**.

€38 TO €287 (individual employments) – A0

Employees in Classes A, B, C, D and H with pay of €287 or less do not have to pay PRSI. They should be recorded under Subclass A0, B0, C0, D0, H0 or A8. The employer's PRSI remains payable as normal.

Alternatives to the €38 to €287 weekly thresholds:

| | | | |
|-------------|-------|----|--------|
| Monthly | €165* | to | €1,244 |
| Fortnightly | € 76* | to | € 574 |

*This threshold only applies to Subclass A0 employees whose total pay in each week is at least €38.

Note: In all other classes when reckonable weekly pay or income is €356 or less, record employees under Subclass J0, S0 or Class M (for people within Class K).

€287.01 TO €356 (individual employments) – AX

Employers in Class A pay the lower 8.5% PRSI rate up until the employee's weekly pay reaches €356. In any week that the employee's pay falls within this band, that is €287.01 to €356, record them under Subclass AX. This pay band also applies to Subclasses BX, CX, DX, HX and A9 (with the employer rate payable). See **Note** above for other classes.

Alternatives to the €287.01 to €356 weekly thresholds:

| | | | |
|-------------|-----------|----|--------|
| Monthly | €1,244.01 | to | €1,543 |
| Fortnightly | € 574.01 | to | € 712 |

More than €356 (Individual employments) – A1/A2

Employees do not have to pay the 2% Health Contribution if their weekly pay is less than €356. Therefore, **people in all classes** who earn €356.01 or more in any week should be recorded under Subclass A1, B1, C1, D1, H1, J1, S1 or K1, as appropriate, or Subclass A2, B2, C2, D2, H2, J2, S2 or Class M respectively for widows or widowers for example.

Alternatives to the weekly €356.01 threshold:

| | |
|-------------|-----------|
| Monthly | €1,543.01 |
| Fortnightly | €712.01 |

Note possible refund: Where an employee's weekly pay fluctuates above and below €356, but the annual pay during 2004 is not more than €18,512, the employee may claim a refund of the 2% Health Contribution deduction from the Collector-General, Customer Services, (PRSI Refunds), Sarsfield House, Francis St., Limerick.

PRSI contribution weeks

A contribution week is each successive period of seven days starting on 1 January each year. Week 1 is the period from 1 to 7 January inclusive, week 2 from 8 to 14 January and so on. **For 2004, the contribution week starts on a Thursday and ends on a Wednesday.**

A contribution at the appropriate class should be awarded to an employee for each contribution week or part of one, for which he or she gets paid.

Holiday pay

If you pay an employee for a period greater than a week, apply the relevant PRSI-free allowance for each of the weeks involved. It is also important to determine the subclass correctly.

Example: An employee receives two weeks holiday pay with a current week's wages. Three contributions are awarded, so the earnings should be averaged over 3 weeks to determine the correct PRSI subclass, and three weeks PRSI-free allowance (€127 x 3) should be applied. This arrangement also applies when an employer pays holiday pay when an employee leaves the employment.

Sick pay

Payment of Disability Benefit and Injury Benefit can now be made directly to your company where sick pay arrangements require the employee(s) to hand over Disability Benefit/Injury Benefit payments to their employers. The new Disability Benefit Claim Form/First Medical Certificate (MC 1) now has a section where the employee can indicate that any payment(s) due can issue directly to the employer.

Employers should note that the relevant medical certificates for Disability/Injury Benefit claimants are available from any of the General Practitioners who are on the panel of the Irish Medical Organisation (IMO) and that medical evidence of incapacity must be submitted within 7 days (21 days for Injury Benefit) of a person becoming unfit for work even if the employee is being paid while out of work.

Otherwise, the employee may lose money if the claim is late even though the person is qualified to receive the benefit.

Lump sum payments

Lump sum payments made to employees when they leave employment are not regarded as reckonable pay for PRSI. These include redundancy, gratuities, ex-gratia and pay in lieu of notice. However, a Class K contribution is paid on the taxable amount. If the lump sum is exempt from tax, it is exempt from PRSI.

Voluntary contributions

People who were insured at Class A, B, C, D, H or S who no longer have to pay, or leave compulsory PRSI, may opt to pay Voluntary Contributions to provide cover for Pensions.

Applications must be made within 12 months from the end of the PRSI contribution year in which a PRSI contribution was last paid or credited. For further information contact:

Voluntary Contribution Section

Tel. (051) 356 000 or (01) 704 3000 ext. 6006/7

PRSI for the self-employed

People whose income is subject to PAYE income tax but who are held not to be insurable as employees continue to be insurable at Class S. However, where their reckonable income **from all sources** is less than €3,174 for year 2004, they will not be held to be insurable (see paragraph on Voluntary Contributions). In such cases, Class S should be applied during the year and contributors can apply for a refund of the PRSI paid during that year after the end of the tax year. They can contact:

Refunds Section

Tel: (01) 804 4400 ext. 4401/4407

The minimum contribution under Class S is €253 for the year 2004. Where a self-employed person's total PRSI deductions for the year are less than €253, they must pay any outstanding balance to the Department of Social and Family Affairs:

Directors Unit, Self-Employment Section

Tel. (051) 356027.

Employers, who are personally liable for PRSI under Class S, are required to register with the Department of Social and Family Affairs. A registration form SE3 is available for this purpose from:

Self-Employment Section

Tel. (051) 356 000 or (01) 704 3000 Ext. 6003 to 6005

National Training Fund Levy

The National Training Fund Levy of 0.70% is included in the employer's share of PRSI under Class A and H, **with no change in the overall rate payable by the employers.**

Maintenance payments

From 6 April 2000, a refund of PRSI on enforceable maintenance payments made by a separated person to his/her spouse is available. The PRSI due will be re-calculated on the reckonable pay/income reduced by the amount of maintenance payment. Any excess PRSI paid will be returned by claiming a refund after year end, 31 December 2004 from the Collector-General, Customer Services, (PRSI Refunds), Sarsfield House, Francis St., Limerick.

Community Employment Schemes

Participants on Community Employment are insurable at Subclass A8 or A9. See page 2 for rates.

Note: Community Employment supervisors and employees on Apprenticeship Schemes are insurable at Class A in the normal way.

Subsidiary employments

Subsidiary employment, which is insurable at Class J regardless of earnings, is defined in legislation. It includes for example employment of people who are also insurable at Class B, C, D or H in their main employment.

Rehabilitative employment

- i) **Sheltered Workshop** employment is not insurable under Social Welfare Acts as it is:
- not regarded as being employment under a contract of service (in other words no employer or employee relationship involved).
 - the allowance being paid is not “reckonable income” or “reckonable emoluments” for PRSI (and PAYE) purposes.
- (ii) Employment in the open labour market where a normal employer/employee relationship exists is insurable at a Class A rate if weekly income is €38 or more and at a Class J rate if it is less than €38.

Personal Public Service Number (PPS No.) (formerly RSI No.)

It is vital that the correct PPS No. is shown on your P35 end of year return for each employee.

Without the correct PPS No. it may be impossible to update your employee's record or process a claim for social welfare benefits. This in turn could lead to further enquiries to you.

If you need assistance in tracing the PPS No.(s) for your employee(s), please have them contact:

Client Identity Services - tel. (01) 704 3281

Recording of contributions (End of year returns for 2004)

For the year 2004 and subsequent years, the gross pay on the form P35 (end of year return) for each employee should include any taxable benefit (notional pay) received by that employee during the year. In addition, the total amount of taxable benefits in the year for **all** employees should be included in the appropriate section of the summary page of the P35.

The P35 should not include any class or subclass of PRSI that did not apply during the tax year.

If the employee changes class (for example Class A0 and J0) an aggregate total of weeks for all classes should be included on the P35.

If more than two classes or subclasses are involved during the year, you should fill in a form PRC 1 (copy in your P35 Pack) or a computer printout in the same format showing the classes and number of weeks of insurable employment in each class or subclass.

You must use Form P35 LT when the PPS No. is unknown, but you still record the Employee's Name, Address, Date of Birth and Mother's Birth Surname.

Completion of P45

Where an employee leaves his or her employment, you should complete a form P45 and give it to the employee **immediately**. The P45 is very important and may be required as evidence of entitlement to Social Welfare benefits.

Taxation of Unemployment or Disability Benefit

Payments for child dependants are excluded from the taxation of Unemployment Benefit and Disability Benefit. In addition, the first six weeks of Disability Benefit is exempt from tax.

This Department will notify you of the amount of Disability Benefit to be taken into account for tax purposes where appropriate. Taxation of Unemployment Benefit will still be mainly applied by the tax office.

If you have any enquiries about taxation of benefits contact the local tax office or the Central Telephone Information Office, at LoCall 1890 236 336.

If you need help

A Ready Reckoner containing weekly calculations for Classes A, J, K and S and further information on PRSI Rates for Employers and Employees is available from:

**Information Services
Department of Social and Family Affairs,
Oisín House
Pearse Street, Dublin 2.**

Telephone (01) 673 2352

A range of information is now available for employers on the Department's website at www.welfare.ie.

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

Employers

Have your employees got the correct documentation?

To make sure that a claim for Unemployment Benefit/Assistance can be processed with the minimum of delay, you should provide the documentation listed below to an employee immediately after employment ends.

Information required:

- ✓ P45 or written proof of termination or reduction of employment
- ✓ Full details of redundancy or severance package (where applicable)
- ✓ Letter regarding reduction in days of employment (if applicable).

Depending on individual circumstances additional documentation may be needed to support a claim.

These measures ensure that a claim can be processed with the minimum of delay.

We appreciate your assistance.



Department of Social and Family Affairs