

Main PRSI changes for 2005

- ▶ Changes in Health Contribution for employees earning between €356 and €400.
- ▶ New subclass AL.
- ▶ Employee's annual earnings ceiling increased to €44,180.

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



PRSI contribution rates and user guide

for the period
1 January 2005 to 31 December 2005

To receive electronic notification of changes to PRSI, please visit our website at www.welfare.ie/schemes/employer/index.html and subscribe to our new PRSI mailing list.

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



Private and public sector employments

Rates of contribution from 1 January 2005

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 €44,180	Rate on balance over €44,180
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
AL	€356.01 - €400 inclusive	All	Employer	10.75%	10.75%
		First €127	Employee	Nil	Nil
		Balance	Employee	4.00%	Nil
A1 or	more than €400	All	Employer	10.75%	10.75%
		First €127	Employee	2.00%	2.00%
		Balance	Employee	6.00%	2.00%
A2*	more than €400	All	Employer	10.75%	10.75%
		First €127	Employee	Nil	Nil
		Balance	Employee	4.00%	Nil

*Subclass A2 applies to medical card holders and people getting a social welfare Widow's or Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit or Allowance. See note on page 7.

Community Employment participants only

Subclass	Weekly limits	Contributors	Annual pay ceiling, €44,180
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 2005

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.

Subclass	Weekly limits		Contributors	Annual pay ceiling	
	Weekly pay band	How much of weekly pay		Rate on first €44,180	Rate on balance over €44,180
J0	Up to €400	All	Employer	0.5%	0.5%
			Employee	Nil	Nil
J1 or J2*	More than €400	All	Employer	0.5%	0.5%
			Employee	2.00%	2.00%
J2*	more than €400	All	Employer	0.5%	0.5%
			Employee	Nil	Nil

*Subclass J2 applies to medical card holders and people getting a social welfare Widow's or Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit or Allowance. See note on page 7.

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 €400	All		Nil
K1	More than €400	All	ER	Nil
			EE	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.

	Weekly limits		No annual ceiling	
	Weekly pay band	How much of weekly pay		All Income
S0	Up to €400	All	ER	Nil
			S/E	3.00%
S1 or S2*	More than €400	All	ER	Nil
			S/E	5.00%
S2*	More than €400	All	ER	Nil
			S/E	3.00%

*Subclass S2 applies to medical card holders and people getting a social welfare Widow's or Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit or Allowance. See notes on page 7.

Public sector employments

Rates of contribution from 1 January 2005

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 €44,180	Rate on balance over €44,180
B0	Up to €287	All	Employer	2.01%	2.01%
		All	Employee	Nil	Nil
BX	€287.01- €400 inclusive	All	Employer	2.01%	2.01%
		First €26	Employee	Nil	Nil
		Balance	Employee	.90%	Nil
B1 or	more than €400	All	Employer	2.01%	2.01%
		First €26	Employee	2.00%	2.00%
		Balance	Employee	2.90%	2.00%
B2*	more than €400	All	Employer	2.01%	2.01%
		First €26	Employee	Nil	Nil
		Balance	Employee	.90%	Nil

*Subclass B2 applies to medical card holders and people getting a social welfare Widow's or Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit or Allowance. See note on page 7.

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 €44,180	Rate on balance over €44,180
C0	Up to €287	All	Employer	1.85%	1.85%
		All	Employee	Nil	Nil
CX	€287.01- €400 inclusive	All	Employer	1.85%	1.85%
		First €26	Employee	Nil	Nil
		Balance	Employee	.90%	Nil
C1 or	more than €400	All	Employer	1.85%	1.85%
		First €26	Employee	2.00%	2.00%
		Balance	Employee	2.90%	2.00%
C2*	more than €400	All	Employer	1.85%	1.85%
		First €26	Employee	Nil	Nil
		Balance	Employee	.90%	Nil

*Subclass C2 applies to medical card holders and people getting a social welfare Widow's or Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit or Allowance. See note on page 7.

Public sector employments

Rates of contribution from 1 January 2005

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 €44,180	Rate on balance over €44,180
D0	Up to €287	All	Employer	2.35%	2.35%
		All	Employee	Nil	Nil
DX	€287.01- €400 inclusive	All	Employer	2.35%	2.35%
		First €26	Employee	Nil	Nil
		Balance	Employee	.90%	Nil
D1 or	more than €400	All	Employer	2.35%	2.35%
		First €26	Employee	2.00%	2.00%
		Balance	Employee	2.90%	2.00%
D2*	more than €400	All	Employer	2.35%	2.35%
		First €26	Employee	Nil	Nil
		Balance	Employee	.90%	Nil

*Subclass D2 applies to medical card holders and people getting a social welfare Widow's or Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit or Allowance. See note on page 7.

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 €44,180	Rate on balance over €44,180
H0	Up to €287	All	Employer	10.05%	10.05%
		All	Employee	Nil	Nil
HX	€287.01- €400 inclusive	All	Employer	10.05%	10.05%
		First €127	Employee	Nil	Nil
		Balance	Employee	3.90%	Nil
H1 or	more than €400	All	Employer	10.05%	10.05%
		First €127	Employee	2.00%	2.00%
		Balance	Employee	5.90%	2.00%
H2*	more than €400	All	Employer	10.05%	10.05%
		First €127	Employee	Nil	Nil
		Balance	Employee	3.90%	Nil

*Subclass H2 applies to medical card holders and people getting a social welfare Widow's or Widower's Pension, One-Parent Family Payment or Deserted Wife's Benefit or Allowance. See note on page 7.

Important notice

PRSI CHANGES FOR 2005

Health Contribution changes

From 1 January 2005, employees are not liable for the 2% Health Contribution on reckonable earnings up to **€400** per week (increased from **€356**). This change affects **all** PRSI Contribution Classes **except** Class P.

New Subclass AL

The new subclass **AL** is payable by the employer and employee on reckonable earnings in any week that they earn between **€356.01** and **€400** inclusive. The employee is no longer liable for the 2% Health Contribution. The employer's share of the contribution **remains** at 10.75%.

Employee's annual earnings ceiling

The employee's **annual** earnings ceiling (above which they pay **no** social insurance contributions) has increased to **€44,180**.

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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.
- Employees paid €356.01 to €400 inclusive in any week should be recorded under subclass AL.
- In any week that the employee is paid more than €400 it should be recorded under subclass A1 or A2* (see note below).
- 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 €44,180 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 11).

Other classes

- Class B, C, D or H employees paid up to €287 inclusive in any week should be recorded under subclass B0, C0, D0 or H0.
- Class B, C, D or H employees paid between €287.01 and €400 inclusive, should be recorded under subclass BX, CX, DX or HX.
- For people covered under Class J, S or K, paid up to €400 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 €400 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 €400 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 2005 remains at €253.
- The annual pay ceiling for PRSI has been increased to €44,180 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, Deserted Wife's Benefit/Allowance or Widow's/Widower's Pension acquired under the social security legislation of a country covered by EC Regulations do not have to pay the Health Contribution, even if their pay is more than €400 per week.

It is the employer's responsibility to establish if employees fall into this category.

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 and PRSI Class of the employee and benefits for which he or she is insured.
- 2.00% Health Contribution, paid by the employee where applicable, goes towards funding the Health Service.
- 0.70% National Training Fund Levy, is included in the employer's contribution in Classes A and H.



Levels of payment for 2005

PRSI contributions will be payable as follows:

- they will be paid at the appropriate percentage rates for employees with reckonable earnings up to €44,180.
- on reckonable pay of more than €44,180, 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. Reckonable pay is the gross money pay **plus** notional pay (or benefit in kind) 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 €44,180 in 2005. 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:

Class	A	B, C, D
Weekly	€127	€26
Fortnightly	€254	€52
Monthly	€551	€113

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 2005, the contribution week starts on a Saturday and ends on a Friday.**

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 is in insurable employment.

Voluntary contributions

People who were insured at Classes A, B, C, D, H or S who are no longer insurably employed 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

Earnings bands and subclasses

Subclasses	A0	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	AL
Weekly	€287.01 to €356	€356.01 to €400
Fortnightly	€574.01 to €712	€712.01 to €800
Monthly	€1,244.01 to €1,543	€1,543.01 to €1,733

Subclasses	BX, CX, DX and HX	A9
Weekly	€287.01 to €400	>€287
Fortnightly	€574.01 to €800	>€574
Monthly	€1,244.01 to €1,543	>€1,244

Subclasses	J0, M, and S0	A1 and A2
Weekly	≤€400	> €400
Fortnightly	≤€800	> €800
Monthly	≤€1,733	> €1,733

Subclasses A4, A5, A6, A7 are only used for approved employees under the PRSI exemption scheme. For further information contact Employment Support Services, 704 3165.

Possible refund of Health Contribution

Where an employee's weekly pay fluctuates above and below €400, but the annual pay during 2005 is not more than €20,800, the employee may claim a refund of the 2% Health Contribution deduction from the

Department of Social and Family Affairs
PRSI Refunds,
Oisín House,
Pearse St.,
Dublin 2

Telephone: (01)673 2566

Holiday pay

If you pay an employee for a period of more 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. To determine the correct PRSI subclass for each week, apply the PRSI-free allowance (€127 X 3) and record the contributions accordingly. 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 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.

Completion of P45

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

Lump sum payments

Lump sum payments made to employees when they leave employment are not regarded as reckonable pay for PRSI purposes. 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.

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 2005, 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) 673 2586.**

The minimum contribution under Class S is €253 for the year 2005. 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.**

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, LoCall 1890 24 35 65.

Maintenance payments

A separated person may claim a refund of PRSI on enforceable maintenance payments made to his or her spouse. 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 2005 from the Collector-General, Customer Services, (PRSI Refunds), Sarsfield House, Francis St., Limerick.

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

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.

However 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.)

It is vital that the correct PPS No. is shown on your P35 end of year return for each employee. 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 2005)

For the year 2005 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.

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,
212-213 Pearse Street,
Dublin 2.

Telephone 1890 20 23 25

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

PENSIONS REMINDER

If you have employees approaching retirement age, it is important that they apply on time for a pension.

Retirement Pension (age 65)

Where a person retires from work at age 65 they may get a Retirement Pension from the Department of Social and Family Affairs based on their social insurance contributions.

They should apply 3 months before they reach age 65.

Old Age Contributory Pension (at age 66)

A person may continue working and also get this pension from the Department of Social and Family Affairs.

Self-employed people who pay Class S PRSI contributions can also continue to work and qualify for this payment provided that their social insurance liabilities are in order. People who are liable for Class S PRSI contributions and who are approaching age 66 should check with their local Revenue Office to ensure their tax affairs are in order to avoid delays.

They should apply 3 months before they reach age 66.

How to apply

Application forms are available from your local Social Welfare Office, Post Office, Citizens Information Centre or telephone the Leaflet Request Line at LoCall 1890 20 23 25.

Application forms may also be downloaded from our website at www.welfare.ie