

- ▶ Employee's annual earnings ceiling has been abolished. PRSI is payable on all income.
- ▶ The Health Contribution has been abolished and replaced with a new Universal Social Charge (for more information, log on to www.revenue.ie).
- ▶ Office holders will pay PRSI at a rate of 4% on all income, where their income is over €5,200 a year. They should be returned at Class K.
- ▶ People with a nil liability, such as persons in receipt of occupational pensions should be returned at Class M.
- ▶ The self-employed rate (Class S) is increased to 4% and the Class S 'floor' increased from €3,174 to €5,000.
- ▶ PRSI Classes B, C and D will pay PRSI at 0.9% up to €1,443 a week and 4% above €1,443 a week.

Full details are outlined inside and should be read carefully.



PRSI contribution rates and user guide for 1 January 2011 to 31 December 2011

This booklet is intended as a guide only, and is not a legal interpretation.

Private and public sector employments

Rates of contribution from 1 January 2011

Class A

This covers employees under the age of 66 in industrial, commercial and service-type employment who have reckonable pay of €38 or more per week from all employments as well as Public Servants recruited from 6 April 1995.

Weekly pay is the employee's money pay plus notional pay (if applicable).

Subclass	Weekly pay band	How much of weekly pay	All income	
			EE	ER
AO	€38 - €352 inclusive	All	Nil	8.50%
AX	€352.01 - €356 inclusive	First €127	Nil	8.50%
		Balance	4.00%	8.50%
AL	€356.01 - €500 inclusive	First €127	Nil	10.75%
		Balance	4.00%	10.75%
A1	More than €500	First €127	Nil	10.75%
		Balance	4.00%	10.75%
A2*	More than €500	First €127	Nil	10.75%
		Balance	4.00%	10.75%

*As a result of the Budget changes, Subclass A2 no longer exists but has been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011.

No need to change the PRSI subclass to account for the abolition of the Health Contribution. This means that, those paying subclasses A1 or A2 in 2010 will continue to pay the same subclass in 2011 (assuming their wages remain the same).

Community Employment participants only

Subclass	Weekly pay band	How much of weekly pay	All income	
			EE	ER
A8	Up to €352 inclusive	All	Nil	0.50%
A9	More than €352	First €127	Nil	0.50%
		Balance	4.00%	0.50%

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

Public sector employments

Rates of contribution from 1 January 2011

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 recruited prior to 6 April 1995.

Subclass	Weekly pay band	How much of weekly pay	All income	
			EE	ER
BO	Up to €352 inclusive	All	Nil	2.01%
BX	€352.01 - €500 inclusive	First €26	Nil	2.01%
		Balance	0.90%	2.01%
B1	More than €500	First €26	Nil	2.01%
		€26.01 - €1,443	0.90%	2.01%
		Balance	4.00%	2.01%
B2*	More than €500	First €26	Nil	2.01%
		€26.01 - €1,443	0.90%	2.01%
		Balance	4.00%	2.01%

*As a result of the Budget changes, Subclass B2 no longer exists but has been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011.

No need to change the PRSI subclass to account for the abolition of the Health Contribution. This means that, those paying subclasses B1 or B2 in 2010 will continue to pay the same subclass in 2011 (assuming their wages remain the same).

Class C

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

Subclass	Weekly pay band	How much of weekly pay	All income	
			EE	ER
CO	Up to €352 inclusive	All	Nil	1.85%
CX	€352.01 - €500 inclusive	First €26	Nil	1.85%
		Balance	0.90%	1.85%
C1	More than €500	First €26	Nil	1.85%
		€26.01 - €1,443	0.90%	1.85%
		Balance	4.00%	1.85%
C2*	More than €500	First €26	Nil	1.85%
		€26.01 - €1,443	0.90%	1.85%
		Balance	4.00%	1.85%

*As a result of the Budget changes, Subclass C2 no longer exists but has been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011.

No need to change the PRSI subclass to account for the abolition of the Health Contribution. This means that, those paying subclasses C1 or C2 in 2010 will continue to pay the same subclass in 2011 (assuming their wages remain the same).

Public sector employments

Rates of contribution from 1 January 2011

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 pay band	How much of weekly pay	All income	
			EE	ER
DO	Up to €352 inclusive	All	Nil	2.35%
DX	€352.01 - €500 inclusive	First €26	Nil	2.35%
		Balance	0.90%	2.35%
D1	More than €500	First €26	Nil	2.35%
		€26.01 - €1,443	0.90%	2.35%
		Balance	4.00%	2.35%
D2*	More than €500	First €26	Nil	2.35%
		€26.01 - €1,443	0.90%	2.35%
		Balance	4.00%	2.35%

*As a result of the Budget changes, Subclass D2 no longer exists but has been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011.

No need to change the PRSI subclass to account for the abolition of the Health Contribution. This means that, those paying subclasses D1 or D2 in 2010 will continue to pay the same subclass in 2011 (assuming their wages remain the same).

Class H

This covers NCOs and enlisted personnel of the Defence Forces.

Subclass	Weekly pay band	How much of weekly pay	All income	
			EE	ER
HO	Up to €352 inclusive	All	Nil	10.05%
HX	€352.01 - €500 inclusive	First €127	Nil	10.05%
		Balance	3.90%	10.05%
H1	More than €500	First €127	Nil	10.05%
		Balance	3.90%	10.05%
H2*	More than €500	First €127	Nil	10.05%
		Balance	3.90%	10.05%

*As a result of the Budget changes, Subclass H2 no longer exists but has been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011.

No need to change the PRSI subclass to account for the abolition of the Health Contribution. This means that, those paying subclasses H1 or H2 in 2010 will continue to pay the same subclass in 2011 (assuming their wages remain the same).

Private sector employments

Rates of contribution from 1 January 2011

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.

Subclass	Weekly pay band	How much of weekly pay	All income	
			EE	ER
J0	Up to €500 inclusive	All	Nil	0.50%
J1	More than €500	All	Nil	0.50%
J2*	More than €500	All	Nil	0.50%

*As a result of the Budget changes, Subclass J2 no longer exists but has been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011.

No need to change the PRSI subclass to account for the abolition of the Health Contribution. This means that, those paying subclasses J1 or J2 in 2010 will continue to pay the same subclass in 2011 (assuming their wages remain the same).

Office holders

Class K

Up to the end of 2010, this class covered people receiving income that was not subject to Social Insurance Contributions but which was liable for the Health Contribution. Income included, occupational pensions and income of people aged 66 or over previously liable for Class S.

For 2011, public office holders will pay PRSI at a rate of 4% on all income, where their income is over €5,200 a year. They should be returned at at Class K. Public office holders with weekly income of €100 or less should be returned at Class M.

Subclass	Weekly pay band	How much of weekly pay	All income	
			EE	ER
Record under Class M	Up to €100 inclusive	All	Nil	Nil
K1	More than €100	All	4%	Nil

Occupational pensions

Rates of contribution from 1 January 2011

Class M

Class M relates to people with a nil contribution liability (such as employees under age 16, persons in receipt of occupational pensions or lump-sum termination payments and public office holders with a weekly income of less than €100 a week).

Subclass	Weekly pay band	How much of weekly pay	All income	
			EE	ER
M	All income	All	Nil	Nil

Self-employed

Class S

This covers self-employed people, including certain company directors, and certain people with income from investments and rent.

Subclass	Weekly pay band	How much of weekly pay	All income from Self-Employment
S0	Up to €500 inclusive	All	4%
S1	More than €500	All	4%
S2*	More than €500	All	4%

*As a result of the Budget changes, Subclass S2 no longer exists but has been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011.

No need to change the PRSI subclass to account for the abolition of the Health Contribution. This means that, those paying subclasses S1 or S2 in 2010 will continue to pay the same subclass in 2011 (assuming their wages remain the same).

Important Notice

Various PRSI changes were announced in the December 2010 Budget.

Employee's annual earnings ceiling

The employee's **annual** earnings ceiling has been abolished. PRSI is payable on all income.

Employee income thresholds

- The threshold for employee PRSI remains at €352 a week.

Health Contribution rates

- The Health Contribution has been abolished.

As a result of the Budget changes, subclasses, such as, A2, B2, C2, D2, H2, J2 and S2 no longer exist but have been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011.

No need to change the PRSI subclass to account for the abolition of the Health Contribution. For example, those paying subclasses A1 or A2 in 2010 will continue to pay the same subclass in 2011 (assuming their wages remain the same).

PRSI classes B, C and D will pay PRSI at 0.9% up to €1,443 a week and 4% above €1,443 a week.

The Class S rate has increased from 3% to 4%.

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 €352 inclusive in any week should be recorded under subclass AO.
- Employees paid €352.01 to €356 inclusive in any week should be recorded under subclass AX.
- Employees paid €356.01 to €500 inclusive in any week should be recorded under subclass AL.
- In any week that the employee is paid more than €500, it should be recorded under subclass A1 or A2 where appropriate. As a result of the Health Contribution being abolished, Subclass A2 no longer exists but has been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011. For example, those paying Subclass A2 previously will continue to pay Subclass A2 in 2011 (assuming their wages remain the same).
- Please note that where an employee was not recorded previously under Subclass A2 (when they earned more than €500 in any week), they should be recorded under Subclass A1 in any week that they earn more than €500 in 2011.
- Participants in Community Employment who are paid €352, or less in any week should be recorded under Subclass A8. In any week that the pay is more than €352 record under subclass A9.
- Community Employment supervisors and employees on apprenticeship schemes are insurable at Class A in the normal way.

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 13).

Other classes

- As a result of the Health Contribution being abolished, subclasses B2, C2, D2, H2, J2 and S2 no longer exist but they have been retained in this guide so that significant changes to payroll systems are not required in moving from 2010 to 2011. For example, those paying Subclass B2 in 2010 will continue to pay B2 in 2011 (assuming their wages remain the same).
- Please note that where an employee was not recorded previously under subclasses B2, C2, D2, H2, J2 and S2, (when they earned more than €500 in any week), they should be recorded under the relevant subclass (B1, C1, D1, H1, J1 or S1), in any week that they earn more than €500 in 2011.
- Class B, C, D or H employees paid up to €352 inclusive in any week should be recorded under subclass BO, CO, DO or HO.
- Class B, C, D or H employees paid between €352.01 and €500 inclusive should be recorded under subclass BX, CX, DX or HX.
- For people covered under Class J, S or K, and paid up to €500 inclusive in any week, record under subclass O, that is, JO, SO or Class M (for people within Class K) as appropriate.
- PRSI classes B, C and D will pay PRSI at 0.9% up to €1,443 a week and 4% above €1,443 a week.



Other classes continued

- 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'.
- The Class S rate has increased from 3% to 4%. The minimum annual contribution for Class S remains at €253.

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.
- the 0.70% National Training Fund Levy, included in the employer's contribution in Classes A and H.

Levels of payment

PRSI contributions will be payable as follows:

- at the appropriate percentage rates for employees on **all** reckonable earnings.
- on **all** reckonable pay, the employer's share (social insurance and the 0.70% National Training Fund Levy in classes A and H) is due.
- Class S, social insurance at 4.00% on **all** reckonable income.

The National Training Fund Levy are included in the contribution rates outlined on pages 2 to 6 where applicable.

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. For 2011 reckonable pay is **not** 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.

Reckonable pay for the purposes of employer contributions is calculated as gross money pay plus notional pay (or benefit in kind) if applicable - **reduced by half** of any 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.

In the case of civil and public servants, reckonable pay includes 'pension levy'. However, 'pension levy' deductions are not included in reckonable pay for the purposes of calculating employer contributions.

In some limited cases the above arrangements may result in the reckonable pay of employees and employers attracting different subclasses. Where this occurs the following should be noted:

Example

- If a Class A employee has pay of €360 and, from this pay, makes a pension contribution of €30, the 'employer reckonable pay' is €345.
- As the employee falls into Subclass AL, employee PRSI is calculated at this subclass.
- As the employer falls into Subclass AO, employer PRSI is calculated at this subclass.
- The amounts should then be added together as normal but **the return must always be made at the employee subclass**, in this example, AL.

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 €352 in Classes A and H, and at €26 for all employees in Classes B, C and D. The allowance is non-cumulative, so it only applies for weeks of insurable employment in which PRSI is payable (see “holiday pay” on page 12). **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 6 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 2011, 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 and 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 more information, log on to www.welfare.ie or contact:

Voluntary Contribution Section
Cork Road
Waterford

LoCall: 1890 690 690 (from the Republic of Ireland only)

or

Telephone: 00 353 1 4715898 (from Northern Ireland or overseas)

Earnings bands and subclasses

Rates of contribution for 2011

Subclass	Weekly pay band	Fortnightly pay band	Monthly pay band
AO	€38 to €352	€76* to €704	€165* to €1,525
AX	€352.01 to €356	€704.01 to €712	€1,525.01 to €1,543
AL	€356.01 to €500	€712.01 to €1,000	€1,543.01 to €2,167
A1/A2	More than €500	More than €1,000	More than €2,167
A8	Up to €352	Up to €704	Up to €1,525
A9	More than €352	More than €704	More than €1,525
BO	Up to €352	Up to €704	Up to €1,525
BX	€352.01 to €500	€704.01 to €1,000	€1,525.01 to €2,167
B1/B2	More than €500	More than €1,000	More than €2,167
CO	Up to €352	Up to €704	Up to €1,525
CX	€352.01 to €500	€704.01 to €1,000	€1,525.01 to €2,167
C1/C2	More than €500	More than €1,000	More than €2,167
DO	Up to €352	Up to €704	Up to €1,525
DX	€352.01 to €500	€704.01 to €1,000	€1,525.01 to €2,167
D1/D2	More than €500	More than €1,000	More than €2,167
HO	Up to €352	Up to €704	Up to €1,525
HX	€352.01 to €500	€704.01 to €1,000	€1,525.01 to €2,167
H1/H2	More than €500	More than €1,000	More than €2,167
JO	Up to €500	Up to €1,000	Up to €2,167
J1/J2	More than €500	More than €1,000	More than €2,167
M	All income	All income	All income
K1	More than €100	More than €200	More than €433
SO	Up to €500	Up to €1,000	Up to €2,167
S1/S2	More than €500	More than €1,000	More than €2,167

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

Subclasses **A8** and **A9** are only used for CE participants. Subclasses **A4**, **A5**, **A6** and **A7** are only used for approved employees under the Employer's PRSI Exemption Scheme. For further information contact Employment Support Services, telephone: 071 96 72698

Important information

Possible refund of Health Contribution paid in 2010

Where an employee's weekly pay fluctuated above and below €500, but the annual pay during 2010 was not more than €26,000, the employee may claim a refund of the 4% or 5% Health Contribution deduction.

Employers **may**, if they have capacity within their payroll systems, refund any overpayment of the Health Contribution to their employees as an end of year adjustment. If an employer cannot make this adjustment the employee may claim a refund of the Health Contribution deduction after year end, 31 December 2010, from:

Department of Social Protection
PRSI Refunds,
Oisín House,
Pearse St.,
Dublin 2.

Telephone: **(01) 673 2586**

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 Illness Benefit and Injury Benefit can now be made directly to your company where sick pay arrangements require the employee(s) to hand over Illness Benefit or Injury Benefit payments to their employers. The Illness 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 payments.

Lump sum payments

Lump sum payments made to employees when they leave employment are not regarded as reckonable pay for PRSI purposes and should be recorded under Class M. These include redundancy, gratuities, ex-gratia and pay in lieu of notice.

PRSI for the self-employed

Self-employed people, other than self-employed company directors, must register with the Revenue Commissioners for PRSI purposes. Under the self assessment system, PRSI is paid to the local tax office together with any other payment due. Self-employed company directors pay their PRSI under the PAYE system.

The rate of PRSI contribution payable for those whose annual income is above €5,000 is 4% of reckonable income, or €253 which ever is greater.

For further information, contact Self-Employed Section, telephone: **(051) 356 000**

If a person is no longer liable to pay PRSI, they may apply to become a voluntary contributor.

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

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 Jobseekers or Illness Benefit

Payments for qualified child(ren) are excluded from the taxation of Jobseeker's Benefit and Illness Benefit. The first six weeks of Illness Benefit are exempt from tax in each year. This Department will notify you of the amount of Illness Benefit to be taken into account for tax purposes, where appropriate. Taxation of Jobseeker's Benefit will still be mainly applied through the tax office. If you have any enquiries about taxation of social welfare benefits, contact your local tax office.

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 2010, from the PRSI Refunds Section, Oisín House, Pearse St., Dublin 2, telephone: **(01) 673 2586**.

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 is 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 (from all employments).

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, telephone: **(01) 704 3281**

Recording of contributions (End of year returns for 2011)

For the year 2011 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

Further information on PRSI Rates is available including a range of information for employers on our 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.

State Pension (Transition) at age 65

Where a person retires from work at age 65 they may get a State Pension (Transition) from the Department of Social Protection based on their social insurance contributions.

They should apply 3 months before they reach age 65.

State Pension (Contributory) at age 66

A person may continue working after age 66 and also get this pension from the Department of Social Protection. On reaching age 66 an employee is liable for PRSI at class J only.

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