

## **[Misc. 5] PRSI for the Self-Employed Health Contribution Employment & Training Levy**

### **1. Introduction**

- 1.1** For years up to and including 1987/88, the Health Contribution and the Youth Employment Levy (later known as the Employment and Training Levy) were calculated by the Collector General based on incomes in assessments/statements of amended liability. They were collected through a separate collection system.

With effect from 6 April 1988, a PRSI system for non-PAYE incomes and certain individuals who pay tax under PAYE but were not regarded as having insurable employment (commonly referred to as "PRSI for the self-employed") was introduced. Under Section 20 (4), Social Welfare (Consolidation) Act 1993, PRSI for the self-employed is assessed charged and paid as if it was an amount of income tax. Section 20(5) provides that contributions due by a non-assessable spouse are collected from the assessable spouse, although the amounts due are calculated separately.

In conjunction with the introduction of PRSI for the self-employed, the assessing and collection procedures for the Health Contribution and the Employment and Training Levy were changed and brought into line with PRSI [Health Contributions (Amendment) Regulations 1988 and Employment and Training Levy (Amendment) Regulations 1988].

It is possible for an individual to have a PRSI liability and not be liable for the Health Contribution or the Employment and Training Levy - and *vice versa*.

The Employment and Training Levy was abolished with effect from 6 April 1999.

- 1.2** In summary, the rates and amounts payable for 2007 and 2008 for the self-employed are as follows:

3% PRSI and 2% Health Contribution on all income up to €100,100

3% PRSI and 2.5% Health Contribution on all income over €100,100

Self-employed persons are exempt from Health Contribution of 2% where the annual income is €24,960 or less in 2007 and €26,000 or less in 2008. The minimum annual PRSI contribution is €253.

**Note:** Recipients of a Social Welfare Widow's or Widower's Pension, Deserted Wife's Benefit/Allowance or One-Parent Family Payment are exempt from paying the 2% Health Contribution. All Medical Card

holders (including people aged 70 or over) are also exempt from this contribution.

## **2. PRSI for the self-employed**

### **2.1 General**

Up to 5 April 1988, self-employed individuals, individuals in receipt of investment or rental income and certain categories of employees (see paragraph 2.2) were not covered for PRSI and consequently were not required to pay PRSI. With effect from 6 April 1988, such individuals over 16 years and under 66 years must pay PRSI at a new contribution Class S, in accordance with the provisions of Chapter 3, Social Welfare (Consolidation) Act 1993.

Contribution liabilities may be roughly summarised as follows for 1997/98 -

- (i) Individuals whose income is less than €3,174 before capital allowances and superannuation: Exempt.
- (ii) Income of €3,174 or over but not required to submit an Income Tax return: flat-rate €253 a year - collected by Department of Social and Family Affairs (DSFA).
- (iii) Other cases : PRSI rate of 3% of income subject to a minimum of €253 - collected by Revenue. Specific provisions apply to certain income and certain persons - see following paragraphs.

### **2.2 Employed persons whose PRSI falls under general heading "PRSI for the Self-Employed"**

Certain individuals who pay tax under PAYE, but who were not regarded by the DSFA as being in insurable employment up to now, are being treated as self-employed for the purpose of the new PRSI scheme with effect from 6 April 1988. Examples of such persons are -

- Certain company directors,
- Junior veterinary officers, employed under a contract of service.
- Motor cycle couriers

PRSI for these individuals will be collected through the PAYE system on net pay where relevant (Par. 59 and 60 Income Tax (Employments) Regulations 1960) and will form part of the normal monthly remittance made by employers to the Collector General. There will be no direct Revenue involvement in this type of case except for the purposes of review of PAYE/PRSI operation and estimates where appropriate.

### 2.3 Individuals who do not have to pay PRSI (Class S)

The following are not covered under the new PRSI scheme:

- Certain persons who help out a self-employed person in the running of the business but who are not partners in the business. These are called "prescribed relatives", e.g. husband, wife, father, mother, son, daughter etc. [However, if these individuals are operating independently as self-employed persons or have reckonable income from other sources, they will have to pay PRSI on the other income].
- A person in receipt of unemployment assistance.
- A person whose gross income from self-employment and employment (if this applies) is less than €3,174 before deduction for capital allowances and superannuation.
- A person who is insured as an employee (other than a proprietary director) and whose other income does not include Case I or II or partnership income.
- Pensioners (except a pensioner who is also a proprietary director) whose other income does not include Case I or II or partnership income.
- Persons who are also permanent and pensionable employees in the public service and who are, as such, insured for widows and orphans pension only i.e. individuals who pay PRSI at Classes B, C or D on their salaries.

[The holder of a Medical Card is not exempt as such from PRSI contributions, although his/her income is exempt from the Health Contribution.]

### 2.4 Excepted income

PRSI will be levied on both earned and unearned income. However, the following income is excluded and does not have to be taken into account when calculating the PRSI contribution:

- Payments made by the health boards, by way of infectious diseases allowance, maintenance allowance, mobility allowance or disabled persons maintenance allowance.
- Any benefit, pension, allowance or supplement from the DSFA.
- Any sums received from FÁS (Foras Áiseanna Saothair, for training courses or schemes.
- Payments received by way of pensions.

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- Any payments received in respect of the following offices -
  - (a) office belonging to the Dáil or Seanad
  - (b) Member of the European Parliament.
  - (c) the judiciary
  - (d) public offices under the State (e.g. the Comptroller and Auditor-General, Harbour Commissioners etc.).
- Income continuance plan payable in the event of loss of employment due to ill-health.
- Redundancy (either statutory or non-statutory), "golden handshake" payments and early retirement gratuities.

### 2.5 Normal live cases subject to direct assessment

PRSI is assessed, charged and paid in all respects as if it were an amount of income tax. It can be stated in one sum with the income tax, if any, in any computation or assessment and all the provisions of the Income Tax Acts, other than provisions relating to the granting of any allowance, deduction or relief, apply as if the aggregated sum were a single sum of income tax.

In the case of a married couple assessed on the aggregation basis, the PRSI payable on the non assessable spouse's income is payable by the assessable spouse in the same way as income tax. **However the amount due by each spouse is calculated by reference to the incomes and circumstances of each.**

Income for PRSI purposes is basically income from all sources as estimated in accordance with the provisions of the Income Tax Acts. Excluded incomes are outlined in Par. 2.4 above.

Capital allowances are deductible in arriving at the amount of income on which PRSI is payable.

The long notice of assessment/amended assessment (NA1) will show PRSI payable and PRSI will be included in the figure for tax payable on the short notice (NA2).

So that the computer calculation program will produce the correct result it is important to input each spouse's income and each relevant category of income in the correct field appropriate to that source of income. **Apart from the input of PRSI exemption markers, where appropriate, Proprietary Director markers, and each spouse's age (where over 65 or 16 or under), direct district intervention in the calculation process is not necessary.**

Special procedures for particular cases are outlined in Par. 2.7.

## **2.6 Individuals who are regarded as "NNL" for income tax purposes.**

**PRSI or the Health Contribution should have no bearing on our procedures for classifying certain cases as NNL.**

Special PRSI provisions apply to individuals who are regarded as "NNL" for income tax purposes. The basic provision is that where an individual is advised by the Inspector that he is not required to make a return for a year, he may be liable to pay €253 for that year. This is billed separately by the DSFA and collected using a variety of payment methods e.g. cheque, bank draft, money order, postal order. The Health Contribution is not collected in these cases.

Details for the generality of our NNL cases are given to the DSFA on computer tape.

Individuals who become NNL, or change from NNL to liable, present particular problems.

Apart from legal issues, practical considerations dictate that whichever office is seized of a case at the start of the tax year collects the PRSI for that year. This will have the following implications for districts:

### **(a) Previously NNL cases becoming liable**

A case marked as NNL on the computer record will normally be within the DSFA collection system. When such a case is being assessed for years for which it was marked NNL (this will normally include the current year also) it should be assumed that PRSI has been/will be collected by the DSFA for those years (and for computer input instruction refer to **Note 1** in the exempt material).

### **(b) Case previously marked as liable, or a new case, now being treated as NNL for future years**

Such cases cannot normally satisfy the basic requirement necessary to come within the DSFA collection system (they would not have been advised by the Inspector that they are not required to make a return for the year). PRSI, if due, must be

collected by Revenue for years for which it was marked liable (including normally the current year). To achieve this, an assessment must be made in whatever income figure has been returned for the years concerned, i.e. 1988/89 *et seq.* However an assessment should not be made where the gross income from all sources is less than €3,174 - if an assessment is not being made in a case where a Notice of Preliminary Tax has issued, note to reduce the Preliminary Tax charge to NIL.

**(c) Case deemed NNL for prior years**

Separate arrangements are required to record the decision for Social and Family Affairs purposes and these are set out below:

- If the assessable income, before capital allowances, is less than €3,174 the taxpayer will not be liable for tax and is not an insurable self-employed person for PRSI purposes. There is no need to contact the DSFA about these cases.

If the income, after capital allowances, is €3,174 or more but fulfils the NNL criteria the taxpayer should be advised that s/he is insurable at a reduced PRSI charge under Section 18(1)(b) Social Welfare (Consolidation) Act, 1993. Please see DSFA leaflet SW74, "PRSI for the self-employed", for further details.

- A cheque, **made payable to the Department of Social and Family Affairs**, for the appropriate amount should be requested from the taxpayer as part of the arrangement to bring the file up to date. If the cheque is received by the officer it should be sent to the DSFA accompanied by a statement confirming that the Inspector of Taxes has determined the case to have assessable income before capital allowances of €3,174 or more but is still within the NNL criteria for the specified years. The preliminary tax charge should be reduced to nil for the relevant years and the computer noted re: NNL status.
- Where a cheque is not forthcoming the taxpayer should be advised of their NNL position for the relevant years as outlined above and they should be advised to contact the DSFA concerning the payment of the outstanding PRSI liability. In addition the following steps should be taken:
  - (i) the preliminary tax charge should be reduced to nil for the relevant years and the computer noted re: NNL status and

- (ii) the DSFA should be provided with lists on a weekly or monthly basis, whichever is the more appropriate, to the above address giving details of the cases that have now been deemed NNL and the designated years so that they can adjust their records as appropriate.

**Staff are reminded of the necessity to keep the assessing status of cases up to date - any change should be reflected on the computer record immediately it comes to notice.**

## 2.7 Special Cases

Certain categories of taxpayer who fulfil the basic PRSI liability requirement may already pay PRSI, under special arrangement, directly to the DSFA. Also, certain incomes which may not be chargeable, or confer exemption, may not be recognisable as such on the computer record. It is not possible to calculate accurately any PRSI that may be due and produce a valid assessment in some of the cases. Where this arises precedence must be given to the production of a valid income tax assessment.

The main cases/incomes falling into the above category are:

- (a) **Sub-Postmasters/Postmistresses** pay PRSI contributions to the DSFA by special arrangement on net income received from An Post. Many also have other income (e.g., from a shop, public house, etc.) in addition to the sub-post office. All income is in practice assessable Schedule D and it is common to receive one account covering all activities. It is not possible to break down earnings so as to reflect the PRSI position and produce a valid assessment. If a claim is received that PRSI has already been suffered, the PRSI exemption marker should be input.
- (b) **Pensions** are not liable to PRSI. Also an individual (other than a proprietary director) in receipt of a pension is exempt from PRSI if he/she does not have a Case I or II source. Where the income under this heading is input using the appropriate input codes, the computer program will automatically exempt the case or income as necessary.

- (c) **Actors**

Some actors may pay PRSI contributions to the DSFA by special arrangement on all/part of earnings which may be included in the Case II figure. As with the sub-postmaster/postmistress, it is not possible to break down earnings so as to reflect the PRSI position and produce a valid assessment. If a claim is received that PRSI has already been suffered (other

than contributions paid as a voluntary contributor) the PRSI exemption marker should be input.

- (d) **Church of Ireland Ministers (RCB)** pay Class E contributions. The PRSI exemption marker should be input.

(e) **Embassy employees**

Embassies pay PRSI on behalf of their employees directly to DSFA, unless a voluntary PAYE scheme is being operated. The PRSI exemption marker should be input.

(f) **Individuals with earned income in other EU States**

- (i) Employees generally - assessed on the full amount arising or on remittances: Under EU rules, the Social Insurance of the State in which the individual is engaged in paid employment prevails. The PRSI exemption marker should be input.
- (ii) Individuals with trades or professions all or part of which are carried on or exercised in another EU State: These individuals may pay PRSI in the State in which the trade/profession is carried on/exercised. If a claim is received that PRSI has already been suffered in that State, the PRSI exemption marker should be input.
- (iii) Where the DSFA has bilateral agreements with other non-EU States e.g. the USA, similar situations may arise.
- (iv) Individuals not coming within (i), (ii) or (iii) are normally liable for PRSI here. Any problems that arise should be referred to the Personal Income Tax Branch 1.

(g) **Sharefishermen**

If Class A applies the PRSI contribution should be collected through the PAYE system. If Class S applies it should be collected through self-assessment. Please see DSFA leaflet SW74, "PRSI for the self-employed", for further details.

(h) **Taxpayer reaching 66 in year of assessment**

PRSI is not charged by computer for the portion of the year to age 66. No district action is necessary.

Where the circumstances at (a) to (h) above arise in a married case, ensure that the PRSI exemption marker is input only for the spouse with the relevant income.



The Health Contribution will normally be payable where the above instances apply.

If any circumstances not covered by the above come to light please advise Personal Income Tax Branch 1.

## 2.8 Disputes

Certain decisions re PRSI are reserved to "Deciding Officers".

Claims etc. from taxpayers re PRSI which can be dealt with under the foregoing should be disposed of locally without reference to Personal Income Tax Branch 1 or the DSFA.

Any claims re PRSI which cannot be resolved locally should be referred, together with any supporting documentation and details of income etc., to RLS, Personal Income Tax Branch 1 for onward transmission to the DSFA, where appropriate.

## 3. Health Contribution

### 3.1 General

The Health Contribution is assessed, charged and paid in direct assessment cases in the same manner as PRSI for the self-employed.

As for PRSI, capital allowances are deducted in calculating these for 1988/89 *et seq.*

The income etc. to be taken into account in calculating the Health Contribution is basically the same as for PRSI with the following modifications:

- (a) Individuals who do not have to pay the Health Contribution are confined to
  - (i) women in receipt of a widow's pension, deserted wife's benefit/allowance, unmarried mother's allowance or a widow's pension from any EU Member State,
  - (ii) individuals with Medical Cards (including equivalents to a Medical Card issued under EU Regulations).  
  
**Note:** As all individuals aged over 70 are eligible for a Medical Card, they are also exempt from the Health Contribution.
  - (iii) individuals whose total income does not exceed does not exceed €480 per week in 2007 and €500 per week in 2008.

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(b) Income which is excluded from the Health Contribution includes:

- payments from the DSFA (section 11(1) Health Contributions Act 1979)
- payments under a maintenance agreement (section 24 Social Welfare Act 1995)

The Health Contribution will be payable in the "Special Cases" outlined at Par. 2.7). For cases falling within (a) to (i) above, it is necessary to input the Medical Card marker to give effect to the Health Contribution exemption.

Apart from the input of the Medical Card marker and the use of the proper input codes, no special intervention is necessary.