

# PRSI

## Employer's Guide to the PRSI Special Collection System for Non-PAYE Employees

There are two methods of paying Pay-Related Social Insurance (PRSI) in respect of employed persons:

- 1. through the PAYE system**, where an employee's income tax liability is assessed under the PAYE income tax system, PRSI contributions are collected by Revenue;
- 2. through the PRSI Special Collection System** for non-PAYE employees, where PRSI contributions are paid directly to the Department of Social and Family Affairs.

This booklet explains the payment of PRSI through the Special Collection System.



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# 1. Pay-Related Social Insurance (PRSI)

## 1.1 What is PRSI?

Pay-Related Social Insurance (PRSI) is paid by full-time employees, part-time employees and self-employed people. It is a percentage of gross reckonable earnings in a week/fortnight/month.

PRSI is made up of a number of different components including:

- the **Social Insurance** element which goes into the Social Insurance Fund to help pay for Social Welfare benefits and pensions
- the **Health Contribution**, payable by employees, goes to the Department of Health and Children to help fund the health services.

**The Health Contribution is NOT payable under the Special Collection System (see Section 3.1).**

## 1.2 What is a PRSI Contribution?

A PRSI contribution is awarded to an employee for each week (or part of a week) of insurable employment (see Appendix 2). An employee who works for the full Tax Year is awarded 52 contributions.

Many benefits and pensions are dependent on the number and Class of PRSI contributions that have been awarded to an employee.

### 1.3 What is a Contribution week?

As the Irish Tax Year begins on 1 January, and the PRSI system runs in parallel to it, a contribution week is each successive period of seven days, starting on the 1 January each year. For example, the 1 January 2004 is a Thursday, so every contribution week for the whole Tax Year 2004 runs from Thursday to Wednesday.

An employee who works for only seven days during the Tax Year 2004, from a Sunday to the following Saturday actually works during two contribution weeks. The first four days (Sunday to Wednesday) are in the first contribution week and the next three days (Thursday to Saturday) are in the second week – the employee is therefore entitled to two contributions for this period. It is important that this fact is reflected in the End of Year Return when you declare the number of weeks of employment.

### 1.4 Who is liable for payment of PRSI?

PRSI is made up of an employer's share and an employee's share.

**As an employer, you are liable for paying both shares in respect of all your employees.** However, you are entitled to recover the employee's share from wages, but only at the time of payment. It is therefore in your interest to make the correct deduction at the time of payment of wages.

### 1.5 What are Contribution Classes?

The rate of PRSI payable is dependent on the **Contribution Class** into which your employee falls.

In general, PRSI Contribution Classes are decided by the nature of the employment and the amount of the employees' gross earnings in any week.

Most workers in private sector, industrial, commercial, domestic and agricultural employments pay PRSI contributions at Class A or J.

Class A applies to the vast majority of insured people and gives the employee cover for all social insurance benefits and pensions, while Class J gives cover for Occupational Injuries Benefits only.

Class A applies:	Class J applies:
<ul style="list-style-type: none"> <li>• where gross earnings are €38.00 or more per week</li> </ul>	<ul style="list-style-type: none"> <li>• where gross earnings are less than €38.00 per week</li> <li>• to employees age 66 or over</li> <li>• to the subsidiary earnings of public sector employees who pay Class B,C, D or H in their principal employment</li> </ul>

## 1.6 What is a PPS No.?

All PRSI Contributions awarded to employees are recorded under their **Personal Public Service Number (PPS No.)**. This is the same number which the employee uses for Income Tax purposes and is usually shown on all documents issued by Revenue.

The PPS No. was previously called an RSI (Revenue and Social Insurance) Number, and you may still see references to the RSI number on certain forms. If you are asked to state an RSI number, you should simply state the PPS No.

If your employee does not have a PPS No., please contact your local Social Welfare Office who will make arrangements for a number to be allocated.

**It is very important that each employee has a PPS No. and that the employer ensures that this number is quoted on all communications. Otherwise, essential details about the employee's social insurance history may not be credited to his/her record and this could cause delays in the payment of Social Welfare benefits or pensions.**

## 2. The PRSI Special Collection System

### 2.1 What is the Special Collection System?

The vast majority of Irish employees who are liable to PRSI are on the PAYE system. For these employees, PRSI is collected by Revenue on behalf of the Department of Social and Family Affairs, and not through the Special Collection System.

For employees who have earnings which are subject to PRSI, but which are not subject to the PAYE system of taxation, PRSI is paid **directly to the Department of Social and Family Affairs through the PRSI Special Collection System.**

This latter group of employees includes;

- those whose earnings are paid from an employer's office or residence outside the State, where the employer is not registered for PAYE with Revenue;
- certain employees of Embassies who do not register as employers in Ireland;
- those who are liable for PRSI but whose employer holds a certificate from Revenue excluding the employee from PAYE tax;
- those working in another country and paying tax abroad but who are retained on the Irish Social Insurance system by virtue of an E101 Certificate, Certificate of Coverage issued under a Bilateral Agreement with another State, or, where the country of work is not covered by EC Regulations or by a Bilateral Agreement, by virtue of Social Welfare (Consolidated Contributions and Insurability) Regulations, 1996 (SI 312/96), as amended;
- Domestic Employees who are employed in the home of their employer on domestic duties only, **and who earn less than €40 per week in the domestic employment (see Leaflet IT 53);**

- certain persons who are self-assessed for Income Tax purposes but classified as employees for PRSI purposes, e.g. Sub-Post Masters, Social Welfare Branch Managers, medical professionals employed on a fee basis by the various Health Boards;
- Church of Ireland Ministers employed by the Representative Church Body (Class E PRSI);
- FÁS Trainees.

## 3. Paying PRSI through the Special Collection System

### 3.1 What elements of PRSI are paid through the Special Collection System?

The Social Insurance element of PRSI is payable by both the employer and the employee through the Special Collection System.

The Health Contribution is **not** collected by the Special Collection System. An employee should pay the Health Contribution directly to Revenue if paying Income Tax in this State.

Enquiries about Health Contributions and employees' entitlements to the Health Services should be addressed to the Department of Health and Children or the local Health Board Offices.

With effect from 1 January 2004 PRSI must be operated by employers in respect of the taxable value of most benefit-in-kind and other non-cash benefits provided by them for their employees. Full information on how these new arrangements apply are available from Revenue - "Employers guide to operating PAYE and PRSI for certain benefits" at [www.revenue.ie](http://www.revenue.ie) or your local tax office. Please note that application of PRSI to benefit-in-kind will operate the same for PAYE and non-PAYE employees.

## 3.2 How do I calculate PRSI liability?

### Employer's Share

This is a percentage of the employee's gross earnings which you are obliged to pay. It cannot be deducted from the employee's earnings, and is calculated as follows:

Employee's gross reckonable earnings  $\times$  Employer's Rate of PRSI (see SC7 for details of rates)

### Employee's Share

The calculation of the employee's share of PRSI is slightly more complicated. This is because employees have a weekly PRSI-Free Allowance on which PRSI is not payable (if the employee is paid fortnightly or monthly, an adjusted Allowance is given).

The employee's share of PRSI is calculated as follows:

Employee's gross reckonable earnings, less PRSI Free Allowance  $\times$  Employee's rate of PRSI (see SC7 for details of rates)

If the employee has two or more concurrent insurable employments, please refer to page 9 - concurrent employments.

***The PRSI-Free Allowance applies only to the employee's share of PRSI. The employer's share is calculated on the employee's gross earnings. The Allowance is non-cumulative and only applies to weeks in which PRSI is payable. In other words, it can only be given up to the point where the employee's earnings reach the employee ceiling.***

**For example, if an employee's earnings reach the employee ceiling during the twelfth week of the Tax Year s/he will only receive twelve weeks' Allowance during the entire Tax Year. An employee whose earnings do not reach the employee ceiling during the Tax Year will receive the Allowance for every week she or he works.**

Therefore, if the employee's earnings exceed the employee ceiling, you should on no account give the employee 52 weeks' Allowance. This will result in an underpayment of PRSI, and you will be billed for the outstanding sum.

The PRSI ceiling, rates of payment, and the Allowance are subject to change each year. Details of the current ceiling and rates figures are available on form SC7 from PRSI Special Collection Section.

### 3.3 What if my employee has other earnings?

#### Concurrent Employments

If an employee is engaged in two or more concurrent **insurable** employments, PRSI must be paid on all earnings up to the prescribed ceiling in **each** employment. If the employee's cumulative earnings for the Income Tax Year from two or more concurrent employments exceed the prescribed employee ceiling, s/he may claim a refund of any PRSI overpayment. However, the **employer is not** entitled to any refund in such circumstances.

#### Consecutive Employments

If a **new** employee produces either an Irish Income Tax form P45 or a Special Collection System form SC3, showing details of previous earnings, you can assume that any PRSI due on these previous earnings has already been paid. The PRSI liability for the new employment will then only be calculated on the balance between the amount of earnings shown on the form P45 or SC3, and the employee ceiling.

Similarly, if one of your employees moves from the PAYE system to the Special Collection System within a Tax Year, any earnings s/he had on which PRSI was paid can be offset against the ceiling when calculating the liability under the Special Collection System.

**When you are offsetting previous earnings in this manner, it is vital that you complete the section on previous earnings on the End-of-Year form SC1b (see section 3.6).**

If a new employee does not produce a P45 or an SC3, you cannot assume that PRSI has been paid on previous earnings in the Tax

Year. Any previous earnings cannot therefore be offset against your PRSI liability.

### 3.4 How should I record PRSI Information?

Contribution tables (SC1) are available from PRSI Special Collection to employers of non-PAYE employees. Details of wages and PRSI contributions for each non-PAYE employee should be recorded on this table on a weekly/fortnightly/monthly basis. You should ensure that the instructions accompanied on the SC1 are carefully observed.

When PRSI has been paid in respect of an employee's earnings up to the prescribed ceiling, no further payment will be due for the remainder of the Tax Year. However, contributions will continue to be awarded to the employee while s/he remains in work, so you should continue to record the number of weeks of insurable employment for the employee in that year.

### 3.5 How do I pay the money?

You should send remittances of PRSI to:

**The Accountant**

Department of Social and Family Affairs  
Government Buildings  
St Alphonsus Road  
Dundalk  
Co. Louth

Contributions should be sent not later than 9 days after the end of the month for which they are due. A completed form **SC2** should **ALWAYS** be sent with each remittance. Copies of these forms are available from PRSI Special Collection Section.

**If you do not send form SC2 with your remittance, we will not know where the money came from and your account will not be credited.**

If you wish to make payments electronically, please contact PRSI Special Collection Section for details on how to do so.

### 3.6 What do I do at the end of the Tax Year?

Annual End-of-Year Return forms for recording PRSI details. These forms (**SC1b**) should be completed at the end of each Income Tax Year and sent to PRSI Special Collection Section.

The Income Tax Year ends on 31 December, every year, and the Return is due in PRSI Special Collection Section by 15 February. If any of your employees' earnings reached the employee ceiling in the course of the Tax Year, it is important that you indicate in the space provided on the **SC1b** form the week or month in which this happened. When sending in the **SC1b** forms, you must also send in the **SC1b(summ)** form.

**It is important to include on the SC1b form any weeks of insurable employment worked by your employee after the ceiling was reached, as contributions will still be awarded to him/her after the full liability for PRSI payment has been met.**

At the end of each Income Tax year, you should also give a completed form **SC4** to each non-PAYE employee certifying the number of contributions paid in respect of the employment for that year.

Where a non-PAYE employee ceases employment during an Income Tax Year, a cessation of employment certificate (**SC3**) should be given to him/her. You should ensure that Part 1 of the **SC3** is fully completed and that the carbon entries in Parts 2 and 3 are legible.

Please see Appendix 1 on page 13 of this booklet for further information on PRSI Special Collections forms.

### 3.7 What if I also have PAYE employees?

If you also have PAYE employees, their details should be communicated to Revenue in the normal manner.

If your employee's earnings are split between PAYE and non-PAYE earnings, you should ensure that PAYE details are returned to Revenue and the non-PAYE details are returned to PRSI Special Collection Section.

It is important that the details you send to us on the **SC1b** form, in respect of your non-PAYE employees, are **NOT** duplicated on your P35 return to Revenue. If you do this, Revenue will bill you for the money submitted to this Department, and you will have to amend your P35 to remove the details proper to this office.

### 3.8 Where can I get more Information?

Any enquiry about the PRSI Special Collection System can be addressed to:

#### **PRSI Special Collection Section**

Social Welfare Services Office  
Government Offices  
Cork Road  
Waterford

Telephone: Waterford (051) 356011/59  
Dublin (01) 704 3000 Ext: 6011/59  
Fax: Waterford (051) 877 838

Website: [www.welfare.ie/topics/prsi/index.html](http://www.welfare.ie/topics/prsi/index.html)

If you are unsure as to the insurability status of an employment or the correct Contribution Class, contact:

#### **SCOPE Section**

Social Welfare Services Office  
2/3 Parnell Square East  
Dublin 1

Telephone: (01) 804 4400

# Appendix 1

These forms are available on request from this office or online at [www.welfare.ie](http://www.welfare.ie) topic PRSI subject PRSI Special Collections.

## Forms supplied by PRSI Special Collection Section to Employers with non-PAYE employees

- SC1: Table for recording employee's weekly earnings, PRSI deductions, etc.
- SC1b: End-of-Year Return form (equivalent of Revenue form P35L), on which details of your employee's earnings, number of weeks employment, PRSI Contribution Class, PRSI deducted, etc. should be recorded.
- SC1b(summ): Employer's Annual Declaration of Liability for PRSI Contributions (equivalent to Revenue form P35). It should be sent to this office with your SC1b forms at the end of the Tax Year.
- SC2: Employer's Remittance form which should be sent to this Department with your payment of PRSI, to ensure that your company's account is credited.
- SC3: Employee's Cessation Certificate (equivalent to Revenue form P45) which should be issued to any of your non-PAYE employees who leave your employment.
- SC4: Employee's Annual Certificate of Earnings and PRSI Contributions (equivalent to Revenue form P60) which should be issued to each non-PAYE employee at the end of the Tax Year.
- SC7: PRSI Rates leaflet for non-PAYE employees, available to employers each year providing up to date details of relevant PRSI Classes, rates of payment and Employee ceiling.

# Appendix 2

## Glossary of Specialised Terms

Contribution:	See Section 1.2
Contribution Class:	The Class of Contribution awarded to an employee is determined by the nature of his/her employment and the level of his/her earnings. Different Contribution Classes provide different levels of Social Insurance cover.
Contribution Week:	Is each successive period of seven days starting on 1 January each year (see Section 1.3).
Employee's Ceiling:	After your employee's cumulative wages reach the <b>Employee's Ceiling</b> , the employee's share of PRSI is no longer payable. Any earnings over and above the ceiling should still be included on the End-of-Year Return, as the employee may be awarded Contributions for the period after all PRSI due has been paid.
Employee's Share:	The <b>Employee's Share</b> of PRSI is that portion of the PRSI payment which you, as the employer, are entitled to deduct from the employee's wages at the time of payment. For information on how to calculate the Employee's Share, please refer to Section 3.2 of this booklet.
Employer's Share:	The <b>Employer's Share</b> of PRSI is that portion of the PRSI payment which you, the employer, are obliged to pay yourself. It is a percentage of your employee's gross earnings. You may not deduct this share from your employee's earnings. For information on how to calculate the Employer's share, please refer to Section 3.2 of this booklet.

- End-of-Year Return: The **End-of-Year Return** is made by you, the employer, at the end of every Tax Year (31 December). It is how you communicate details of your employee's earnings, period of work, and the amount of PRSI you are paying to this office. This allows us to balance your account and to award contributions to your employees. The End-of-Year Return should be submitted to PRSI Special Collection Section by 15 February each year.
- Health Contribution: The **Health Contribution** is that part of the PRSI payment which goes to the Department of Health and Children to help fund health services. It is NOT collected under the PRSI Special Collection System. If your employee is paying income tax to Revenue, s/he may have to pay the Health Contribution at the same time.
- Insurable Employment: **Insurable employment** is earnings from employment which are liable to PRSI deductions under Irish Social Welfare legislation.
- PAYE: **Pay As You Earn** System is the normal way Irish employees pay Income Tax.
- PPS No: Each person paying Social Insurance in Ireland should have a unique **Personal Public Service Number**, or PPS No. The PPS No. was previously called the RSI number. If you see or hear reference to an RSI number, you may assume the reference is to the PPS No.
- PRSI: **Pay-Related Social Insurance**, the Irish social security system.

PRSI-Free Allowance:	The Employee's share of PRSI is not payable on an amount of his/her weekly or monthly earnings. This amount is known as the <b>PRSI-Free Allowance</b> , and is subject to change every year (see form SC7 for up-to-date Allowances).
Reckonable Earnings:	Salaries, wages and other similar remuneration derived from insurable employment as defined in Social Welfare (Consolidation Contributions and Insurability) Regulations, 1996.
Revenue:	The Irish tax authorities.
RSI Number:	See PPS No. on page 15.
Social Insurance Element:	The <b>Social Insurance element</b> is that part of the PRSI contribution which goes into the Social Insurance Fund.
Social Insurance Fund:	The <b>Social Insurance Fund</b> supplies the bulk of the revenue for contributory Social Welfare Benefits and Pensions.
Tax Year:	The <b>Tax Year</b> in Ireland runs from 1 January to 31 December.



