

Tax Implications for Cross Border Workers & Employers

Welfare & PRSI issues

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Topics

- Current Welfare State Pension Contributory rules
- Recently announced changes to State Pension Contributory (2024+)
- Postings and miscellaneous

Two pension calculation methods currently in place

- **The Average Test**
- **Total Contribution Approach aka Aggregate Contribution Method**

For those born before 1958 Welfare will pay the more beneficial weekly rate

- Qualification for the Irish State Pension Contributory is an exact science, Minimum of 520 weeks of PRSI Paid required –
- PRSI Classes that qualify for pension: A, E, F, G, H, N and S
- You must have a copy of the Social Welfare insurance record to advise (Lo-Call 0818 690 690 Mon-Fri 10am-4pm)
- If there are errors on Welfare's PRSI Records ask them to investigate, most common reasons:
 - “Emergency File” or the “Heldover File”
 - Employer's responsibility to deduct and remit PRSI, a Welfare investigation can update weeks of PRSI that were not returned by an employer (collusion excepted)
- If client has ≤ 50 weeks of UK Social Security Contributions by age 66 the UK record will be treated as an Irish record and included in the pension calculation

- **The Average Test:**

- A claimant's entire record of weeks of PRSI Paid and Credited is divided by the number of years from their 1st payment of PRSI to the year immediately before pension age. (Exception for Self-Employed who have paid Class S in 1988/89)
- The weekly pension payable is determined by which of the 6 Average Ranges they fall into: *An average => 0.5 is rounded up, eg 39.5 = 40.*

10-14: €101.20	15-19: €165.10
20-29: €215.70	30-39: €227.70
40-47: €248.30	48+: €253.30

- If they qualify for the Irish pension, no Social Security contributions paid in the UK, EU or a Country with a *Bi-Lateral Agreement with the Republic will be added to this calculation: *USA, Canada, Australia, New Zealand, Switzerland, Sth Korea

- **The Total Contribution Approach** (aka Aggregate Contribution Method):-
 - A Pension claimant with $\geq 2,080$ weeks of PRSI paid or credited on their record qualifies for the maximum pension payment (currently €253.30 per week), any lower figure will have their weekly pension rate proportionately reduced. All periods taken off work, while resident in the state, to care for a child under the age of 12 or for periods caring for a person who required fulltime care and attention will be covered by Home-caring Credits and used in the pension calculations.
 - The number of Home-Caring/Child Caring Credits is capped at 1,040 weeks. The number of “regular” credits is capped at 520 weeks. The number of ALL credits is capped at 1,040 weeks
 - Note: The Department will not award Child Caring Credits for any week they believe the claimant was in receipt of income or not resident in the State.

Proposed changes for Welfare State Pension Contributory (2024+)

- Changes in State Pension Contributory entitlement from 2024
- The Average Test is being phased out over a period of 9 years starting in 2024 and totally replaced by the TCA for those born in 1967+
- If you reach pension age 66 in 2024 and the Average Test is greater than the Total Contribution Approach the weekly rate will be adjusted to 90% of the Average rate plus 10% of the TCA rate
- If you reach pension age 66 in 2025 and the Average Test is greater than the Total Contribution Approach the weekly rate will be adjusted to 80% of the Average rate plus 20% of the TCA rate
- Etc.....

Client born 1960, 1st paid PRSI in 2003 (immigrant) Pension age in 2026

Total Contribution Approach		
aka Aggregate Contribution Method		
Employment weeks		1196
Regular credits (capped @ 520) weeks		0
Childminding/Carer weeks capped @ 1,040		0
Credits Sub-Total		0
ALL credits capped@ 1,040 weeks		0
Total Weeks		1196
Full Pension rate @2,080* weeks		€253.30
Total weeks:	1196	€145.65
	2,080	
Weeks required for max Pension	884	

Average Test		
Total weeks:		1196
Divided by	23 Years	
Average=		52.00
48+		€253.30
40-47		€248.30
30-39		€227.70
20-29		€215.70
15-19		€165.10
10-14		€101.20

	TCA	Average	
1960	30%	70%	
	€43.69	€177.31	€221.00

Integration of Average Test and the Total Contribution Method 2024 to 2032

- Integration of the pension weekly rates for those born 1st Jan 1958 and 31st Dec 1966

	TCA	Average Test	Example with weeks= 1,642 @TCA= €200.00		
Born			Average of 48 over 34 years= €253.30		
• 1957					€253.30
• 1958	10%	90%	€20.00	€227.97	€247.97
• 1959	20%	80%	€40.00	€202.60	€242.60
• 1960	30%	70%	€59.99	€177.31	€237.30
• 1961	40%	60%	€79.98	€151.98	€231.96
• 1962	50%	50%	€99.98	€126.65	€226.63
• 1963	60 %	40%	€119.98	€101.32	€221.30
• 1964	70%	30%	€139.97	€75.99	€215.96
• 1965	80%	20%	€159.97	€50.66	€210.63
• 1966	90%	10%	€179.96	€25.33	€205.29
• 1967					€200.00

- In Summary:
- If born between 1958 and 1966 and your PRSI record totals less than 2,080 you will not be awarded the maximum weekly pension rate (currently €253.30)
- If born in 1967 or after your pension will be calculated using the TCA method only e.g. if less than 2,080 weeks of PRSI paid or credited you will be awarded a reduced pension

Postings and miscellaneous

- The only major change to the rules on “Postings” post Brexit is that only Irish “Nationals” can be “posted to the UK, All Postings entered into before 1st January 2021 will continue to be honoured
- There is still a rule that Social Security can only be compulsorily in one jurisdiction
- If employed in the UK and have rental income in Republic then no PRSI is charged on the Rental income
- If employed in UK you cannot be admitted as a Voluntary Contributor to the Irish Welfare system
- If employed in Ireland you can still pay Voluntary Contributions to the UK system, however any overlap will be ignored when calculating the Irish pension

Q&A

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