Universal Social Charge

Part 18D-00-01

Part 18D (Sections 531AL – 531AAF) of the Taxes Consolidation Act (TCA) 1997

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Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

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Updated for Finance Act 2022 (in respect of Tax Year 2023 onwards)

1. Introduction

The Universal Social Charge (USC) is a tax payable on gross income, including notional pay, after any relief for certain trading losses and capital allowances, but before pension contributions.

All individuals are liable to pay USC if their gross income exceeds the threshold of €13,000 p.a. **[S531AM(2) TCA 1997].**

For example (2023):

- Gross income of €12,500 – as the gross income is less than the exemption threshold of €13,000, no USC applies;
- Gross income of €13,500 – as the gross income exceeds the exemption threshold of €13,000, USC applies to the full €13,500.

2. Administration

USC is under the care and management of the Revenue Commissioners and Part 37 (Administration) TCA 1997 applies to USC as it applies to income tax **[S531AAC TCA 1997].**

USC operates as a tax on income; it is not 'income tax' within the meaning of the Tax Acts. It is applied in accordance with the provisions of Part 18D TCA 1997 and the Universal Social Charge Regulations 2018 (S.I. No. 510 of 2018), and the application of relevant Parts of income tax legislation where appropriate **[S531AM(1) TCA 1997].**

3. Application of Income Tax Provisions

Certain provisions of the Taxes Consolidation Act 1997 relating to income tax have been applied, without any necessary modifications, to USC **[S531AAA TCA 1997].** These are –

- Chapter 1 of Part 38 relating to the making of returns of income,
- Chapter 3 of Part 38 in relation to the keeping of records,
- Chapter 4 of Part 38 in relation to the making of enquiries and the exercise of the powers, duties and responsibilities provided for by that Chapter,
- Part 41A in relation to the making of assessments to income tax and the right of a Revenue officer to make enquiries,

- Chapters 1 and 4 of Part 42 in relation to the collection and recovery of unpaid income tax, and
- Part 47 in relation to penalties, offences, interest and other sanctions.

As regards USC appeals, please refer to the Tax and Duty Appeals Manual

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[…]

4. Rate of USC

4.1. Standard Rates

The standard rates of USC for 2023 are –

- 0.5% on the first €12,012	(0.5% on the first €12,012 for 2022)
- 2% on the next €10,908	(2% on the next €9,283 for 2022)
- 4.5% on the next €47,124	(4.5% on the next €48,749 for 2022)
- 8% on the balance	(8% on the balance for 2022)

[Part 1 of Table to S531AN TCA 1997]

These standard rates of USC outlined above are modified in certain circumstances.

In the case of an individual whose total income in the year does not exceed €60,000 and is either (i) aged 70 or over, or (ii) holds a full medical card, the 2% rate applies to all income over €12,012. **[S531AN (1), (3)** and **Part 2 of Table TCA 1997].**

The reduced rate of USC for those full medical card holders aged under 70 and whose income does not exceed €60,000 shall cease to have effect from the 2024 year of assessment onwards**. [S531AN(4) TCA 1997].**

Note - the USC rates apply to each spouse or civil partner’s incomes individually. There is no aggregation.

Example A

An individual has annual gross income of €65,000. His USC liability for 2023 is therefore €2,171.82 and this is calculated as follows:

12,012	x	0.5%	=	60.06
10,908	x	2%	=	218.16
42,080	x	4.5%	=	1,893.60
65,000				2,171.82

Example B

A full medical card holder has annual gross income of €55,000. His USC liability for 2023 is therefore €919.82 and this is calculated as follows:

12,012	x	0.5%	=	60.06
42,988	x	2%	=	859.76
55,000				919.82

4.2. Week 53 Payment

Where PAYE income is paid on 31 December (or 30/31 December in a leap year), the USC rates bands are to be increased by 1/52 in the case of weekly pay and 1/26 in the case of fortnightly pay.

However, where the actual PAYE income on that pay day is less than the increase referred to above, the increase is to be restricted to the actual amount of the PAYE income **[S531AN(5) TCA 1997].**

The €60,000 threshold referred to in paragraph 4.1 and the exemption threshold are also to be similarly increased by 1/52 or 1/26. **[S531AN(6) TCA 1997].**

However, these increases will not apply for a year where pay days are changed with a view to benefitting from widened USC rate bands. These increases will not apply for a year in which the normal pay day was changed either in that year or the previous year, or where a Week 53 pay day is not a normal pay day **[S531AN (7) & (8) TCA 1997].**

4.3. Self-employed/non-PAYE income exceeding €100,000

There is a surcharge of 3% on individuals whose non-PAYE income exceeds €100,000 in a year. As such, a rate of 11% applies to the non-PAYE income that exceeds €100,000 **[S531AN(2) TCA 1997].**

Example

An individual has annual gross income of €150,000, which comprises €40,000 PAYE salary and €110,000 non-PAYE investment income. Her USC liability for 2023 is therefore €9,095.28 and this is calculated as follows:

12,012	x	0.5%	=	60.06
10,908	x	2%	=	218.16
47,124	x	4.5%	=	2,120.58
79,956	x	8%	=	6,396.48
10,000*	x	3%	=	300.00
				9,095.28

* The amount of non-PAYE income that exceeds €100,000

4.4. Certain Bank Bonuses

A special USC rate of 45% applies to certain bank bonuses paid to employees of those financial institutions that have received financial support from the State. **[S531AAD TCA 1997].** This is discussed in further detail in Paragraph 17 of this manual.

4.5. Property Relief Surcharge

An additional rate of USC (property relief surcharge) of 5% applies on that part of an individual's taxable income which is sheltered by any of the property or area-based incentive reliefs. This includes all the property-based capital allowances and the relief for residential lessors. It applies to capital allowances made in or carried forward into the tax year 2012 and any subsequent tax year or to any losses carried forward into 2012 or a subsequent year that are attributable to relief for residential lessors **[S531AAE TCA 1997].** This is discussed in further detail in Paragraph 18 of this manual.

5. Payment of USC

5.1. Employees

Employers/pension providers are responsible for deducting USC from emoluments. Requirements in relation to the deduction and paying over of USC from relevant emoluments are set out in the Universal Social Charge Regulations 2018 (S.I. No. 510 of 2018) **[S531AO TCA 1997].** For years prior to 2019, the requirements were set out in the Universal Social Charge Regulations 2011 (S.I. No 658 of 2011).

A summary of the 2018 USC Regulations is available in Tax and Duty Manual (TDM) Part 18D-00-02.

For emoluments paid on or after 1 January 2019, employers/pension providers are required to make a monthly return to Revenue specifying the total USC deducted or repaid in respect of each month. The return must be made no later than the 14th of the following month. Revenue may issue a statement to an employer after the end of a month setting out a summary of the USC liability for the month. Such statement will be based on the payroll submissions received from the employer. In the absence of the employer making a return before the return filing date (or where a statement is issued after the return filing date, on that later date), the statement will be deemed to be a return made by the employer on that date. If, however, the information on the statement is wrong, the employer will not be deemed to have made a return and must ensure that full and correct information relating to payments of emoluments to employees has been submitted to Revenue **[S531AOA TCA 1997].**

5.2. Self-employed individuals

Self-employed individuals make a payment of USC along with their preliminary tax payment by 31 October, with any balance payable by 31 October in the following year **[S531AS TCA 1997].**

6. Charge to Tax

Income which is liable to USC consists of 'relevant emoluments' and 'relevant income' **[Table to S531AM(1) TCA 1997].**

6.1. Relevant emoluments

Relevant emoluments are emoluments to which Chapter 4 of Part 42 TCA 1997 (i.e. the Income Tax PAYE system) applies and include:

(i) any allowable contributions referred to in Regulation 31 of the Income Tax (Employments) Regulations 2018 (pension contributions),

(ii) the initial market value of shares appropriated to an individual under an approved profit-sharing scheme, except where such shares were held by an employee share ownership trust (ESOT) before 1 January 2011 (these shares are not charged to income tax on appropriation),

(iii) the market value of the right to acquire shares in accordance with the provisions of a savings-related share option scheme (the receipt of this right to acquire shares is not chargeable to income tax),

(iv) any gain exempted from income tax on the exercise of the right to acquire shares in a savings-related share option scheme or an approved share option scheme, after such a gain is reduced by the market value of the right referred to in the previous sub-paragraph, and

(v) the 'specified amount' which can be deducted from the profits or gains to be assessed on an employee who makes a claim under the Special Assignee Relief Programme (SARP).

Relevant emoluments do not include:

(a) payments made under the Social Welfare Acts and payments which are of a similar character to social welfare payments which are made by

- the Department of Education and Skills,

- the Department of Agriculture, Food and the Marine,

- the Health Service Executive,

- an Education and Training Board (ETB) in relation to attendance at a non-craft training course funded by SOLAS,

- a sponsor in relation to participation in Jobs Initiative and Community Employment Schemes, or

- any other State or territory,

(b) emoluments gifted to the Minister for Finance (under S483 TCA 1997),

(c) emoluments disregarded by an employer following receipt of a notification issued by an inspector under section 984(1) TCA 1997 (a PAYE exclusion order),

(d) the basic exemption in respect of termination lump sum payments, standard capital superannuation benefit (SCSB), and the exemption of up to €10,000 as set out in paragraph 5.2 of TDM Part 05-05-19,

(e) an amount paid in respect of pre-retirement access to AVCs (S782A TCA 1997),

(f) a PRSA (Personal Retirement Savings Account) contribution by an employer to a PRSA in respect of an employee, and,

(g) a PEPP (Pan-European Pension Product) contribution by an employer to a PEPP in respect of an employee.

6.2. Relevant income

'Relevant income' is income from all sources as estimated in accordance with the Tax Acts, other than the items of income listed at (i), (ii) and (iii) below, and without regard to any amount deductible in computing total income other than the deductions listed at (iv) to (viii) below-

Items of income not taken into account:

(i) relevant emoluments (as above),

(ii) any emoluments, payments, expenses or other amounts referred to in paragraphs (a) to (e) under the section on relevant emoluments in paragraph 6.1 above,

(iii) any gains, income or payments in connection with the following:

- deposit interest (Chapter 4, Part 8 TCA 1997)
- dividend payments from a credit union (Chapter 5, Part 8 TCA 1997)
- foreign deposit interest (Chapter 7, Part 8 TCA 1997)
- life policies (Chapter 5, Part 26 TCA 1997)
- foreign life policies (Chapter 6, Part 26 TCA 1997)
- investment undertakings (Chapter 1A, Part 27 TCA 1997), and
- certain offshore funds (Chapter 4, Part 27 TCA 1997).

Deductions allowed:

(iv) in the case of an individual resident in the State but working outside the State who qualifies for 'Cross-Border Relief' (S825A TCA 1997), a deduction equal to the amount that would have been deducted from total income in the absence of relief under Section 825A so as to arrive at the same tax liability as the liability due as a result of granting section 825A relief.

(v) maintenance payments by a separated spouse or civil partner, or by a cohabitant on the ending of his or her relationship (as provided for in sections 1025, 1031J and 1031Q TCA 1997, respectively), other than in the case where the two individuals concerned may opt for and have opted for joint assessment.

(vi) losses carried forward in respect of a trade or profession and utilised in the year.

(vii) industrial buildings writing-down allowances, wear and tear allowances, farm buildings allowances, or farm pollution control allowances in respect of a trade or profession for the year or carried forward and utilised in the year other than where the allowance is made to an individual who is not an active partner in a partnership trade (within the meaning of section 904A TCA 1997) or is the subject to a claim under section 381 TCA 1997.

(viii) A deduction equal to the amount that a lessor of a property which qualified for tax incentives is deemed to have received as rent (on the sale of the property or on it ceasing to be a qualifying premises), but only where the individual received, or was entitled to receive relief in respect of the property on or after 1 January 2012.

There is no exemption from USC in respect of distributions out of profits or gains on stud and woodland fees, out of income from patent royalties or out of mining profits. Income earned as a writer, composer or artist, profits from the use of woodlands, and income derived from patent royalties and leasing of farmland are also liable to USC.

There is also no deduction for –

(a) double rent allowances (certain urban renewal reliefs under section 324(2), 333(2), 345(3) or 354(3) TCA 1997),

(b) certain reliefs for lessors in computing the amount of a surplus or deficiency in respect of rent from premises in urban renewal areas, (sections 372AP and 372AU TCA 1997),

(c) donations to certain sports bodies, or

(d) donations to certain bodies such as charities and educational establishments.

USC arises on a balancing charge in respect of an asset, which attracts capital allowances that are deductible in computing the USC liability.

7. Capital Allowances

Normal business expenses incurred in carrying on a trade are deductible before USC is calculated. This includes allowances for capital expenditure incurred on providing certain items for the purposes of the trade, such as

- plant and machinery,
- vehicles used for business purposes, and
- certain types of buildings, such as factories or farm buildings.

Capital allowances (other than those used to create or increase a loss under section 392 TCA 1997) must actually be used in a tax year to be deductible **[S531AU TCA 1997].**

Only standard rate capital allowances are deductible. Apart from farm buildings, capital allowances that are written off over accelerated 7-year periods are not allowed.

Any capital allowances due to persons that do not actively carry on a trade are not deductible. Therefore, lessors and other passive investors, such as non-active partners in a partnership trade, must pay USC on gross income before the deduction of capital allowances.

See below for details of both deductible and non-deductible allowances in respect of the different types of buildings.

Deductible allowances

Type of building	Write-off period	Annual rate %	Notes
Factory, mill	25	4	
Dock undertaking	25	4	
Market gardening	10	10	
Intensive production of livestock	10	10	Outside of farming trade
Hotel & holiday camp	25	4	Previously 7-year write-off (up to 1 August 2008)
Tourist accommodation	25	4	Holiday hostels, caravan & caravan sites, guest houses
Airport	25	4	Airport runway & apron Airport buildings
Farm building	7	15	
Farm pollution control	3	33⅓	EU Nitrates Directive Does not apply where expenditure incurred after 31 December 2010

Non-deductible allowances

Type of building	**Write-off period**	**Annual rate %**	**Notes**
Hotel & holiday camp	7	15	Now 25-year write-off (since 1 August 2008)
Holiday cottage	10	10	
Private hospitals	7	15	
Mental health centre	7	15	
Nursing home	7	15	
Nursing home residential unit	7	15	
Convalescent home	7	15	
Sports Injury Clinic	7	15	
Childcare facility	7	15	
Mid Shannon Tourism Infrastructure Scheme	7	15	
Living City Initiative	7	15	

8. Losses

Losses, other than those arising from the carrying on of a trade or profession, are not deductible before USC is charged. Trading losses arising in a tax year cannot reduce other non-trading income in that year for the purposes of USC. Where unused trading losses are carried forward, only that part of the losses that is actually used to reduce taxable income from the same trade in the tax year to which they have been carried forward, is deductible.

9. Balancing Allowances and Charges

In calculating liability to USC, certain capital allowances in respect of an individual carrying on a trade or profession are deductible in arriving at the figure for relevant income (see Capital Allowances above).

Where a balancing charge arises in these circumstances, it should be included as relevant income for USC purposes. Likewise, a balancing allowance can be allowed as a deduction from relevant income for USC purposes. Unused allowances coming forward from previous years can also be allowed against balancing charges in calculating relevant income for USC purposes.

Where capital allowances are not deductible (for example in Case V situations or in respect of property incentives – see paragraphs (vi) and (vii) in the section on relevant income above), balancing charges which might arise following the disposal of an asset are not to be considered as relevant income for the purposes of USC as the allowances which are being recovered by the balancing charge were not deductible for USC purposes in the first instance. In addition, the clawback of relief in the form of deemed rent in respect of certain deductions for lessors of residential properties is not to be considered as relevant income for the purposes of USC (see subparagraph (viii) in paragraph 6.2 on Relevant Income above.)

10. Maintenance Payments

How maintenance payments made to a spouse / civil partner are treated for USC purposes will depend on the nature of the maintenance payments arrangements in place, i.e. are they voluntary payments or legally enforceable payments.

10.1. Voluntary maintenance payments (payable under an informal arrangement)

The spouse or civil partner making the payments does not receive exemption from USC on the portion of his or her income which he or she pays as maintenance.

The spouse or civil partner who receives the payments is not subject to USC on the maintenance payments he or she receives.

10.2. Legally enforceable maintenance payments (payable under legal obligation)

The spouse or civil partner making the payments is entitled to receive an exemption from USC on the portion of his or her income which he or she pays as maintenance either directly or indirectly to the other spouse or civil partner. There is no USC exemption due in respect of any portion of the maintenance payments paid towards the maintenance of children.

An employee wishing to claim USC exemption in respect of legally enforceable maintenance payments throughout the year may either give the information required to their payroll office or, alternatively, he or she can apply to Revenue at the end of the year to claim any refund of USC that may be due in respect of maintenance paid.

The spouse or civil partner who receives the payments is subject to USC on the portion of the maintenance payments he or she receives in respect of him/herself. Any portion of the maintenance payments paid towards the maintenance of children is not subject to USC.

Note: In the case of a legally enforceable maintenance arrangement, where a separated couple has jointly elected to be treated as a couple in a marriage or in a civil partnership, for income tax purposes, the spouse or civil partner making the payments does not receive a deduction from USC on the portion of his or her income which he or she pays as maintenance. The spouse or civil partner who receives the payments is not subject to USC on the maintenance payments he or she receives. **[S531AV TCA 1997].**

11. Benefits in Kind, etc.

11.1. Notional Pay / Benefits in Kind / Pension Lump Sums / Share Options / Permanent Health Insurance

USC applies to all emoluments of an employment, including anything treated as a taxable benefit-in-kind.

11.2. Personal Retirement Savings Account

Finance Act 2022 amended section 118 TCA 1997 to exempt an employer contribution to an employee's PRSA from an income tax charge to benefit-in-kind (BIK). Prior to the enactment of Finance Act 2022, an employer contribution to a Personal Retirement Savings Account (PRSA) was chargeable to income tax in the hands of the employee as a benefit-in-kind under section 118 TCA 1997. Employer contributions are exempt from USC [paragraph (a)(VI) of the Table to S531AM(1) TCA 1997].

It should be noted that employee contributions to a PRSA qualify for full tax relief subject to an earnings threshold and age-related limits. Employee and employer contributions to an employee's PRSA are not aggregated for the purpose of the individual's tax relief, following the signing into law of Finance Act 2022 on 15December 2022. Employee and employer contributions made prior to this date would still be aggregated for the purposes of the individual's tax relief.

The employer PRSA contributions are not subject to PAYE and are, therefore, not chargeable to PRSI under the PAYE system (both employer's share of PRSI and employee's share of PRSI).

11.3. Pan-European Personal Pension Product

An employer contribution to a Pan-European Pension Product (PEPP) is not considered a benefit in kind for the purposes of section 118 TCA 1997. Such contributions are exempt from USC [paragraph (a)(VII) of the Table to S531AM(1) TCA 1997].

Similar to PRSA's above, employee contributions to a PEPP qualify for full tax relief subject to an earnings threshold and age-related limits. Employee and employer contributions to an employee's PEPP are not aggregated for the purpose of the individual's tax relief. The employer PEPP contributions are not subject to PAYE and are, therefore, not chargeable to PRSI under the PAYE system (both employer's share of PRSI and employee's share of PRSI).

11.4. Pension Scheme Lump Sums on Retirement

There is a lifetime limit of €200,000 on the amount of pension scheme lump sums that are exempt from income tax. Amounts that are in excess of this limit are subject to income tax in two stages. The portion between €200,000 and €500,000 is taxable at the standard 20% rate of income tax and any portion above that is taxable at the individual's marginal income tax rate.

USC is only payable on the portion above €500,000.

11.5. Share Options

USC is to be paid to the Collector-General with form RTSO1 on gains made on the exercise of share options and included with the amount of the RTSO in the "Total Tax Liability" box. A separate USC amount should not be inserted on the form. When the Form 11 is subsequently filed, the details of the amount of the gain and the amount of RTSO and USC paid with the RTSO1 should be entered.

11.6. Permanent Health Insurance

USC applies to an employer's contribution to a Permanent Health Insurance Scheme. Such a contribution is treated as a taxable benefit-in-kind.

12. Exemptions

- **Income Threshold**

  Where an individual's total income for a year does not exceed €13,000.

  The USC exemption threshold is €13,000 for the years 2016 to 2023, €12,012 for 2015 and €10,036 for the years 2012 to 2014.

- **All Department of Social Protection payments**

- **Similar Type Payments**

  Payments that are made in lieu of Department of Social Protection payments such as payments for participation in Community Employment Schemes, Jobs Initiative Scheme or Back to Education Allowance paid by the Department of Education. [See List of Social Welfare-like Payments at paragraph 12.1].

- **Income already subjected to DIRT**

- **Exempt Income [see List below at 12.2].**

Note: An individual who has no liability to income tax based on his or her entitlement to tax credits or by use of losses or capital allowances may still have a liability to USC.

12.1. List of Social Welfare-Like Payments

Department of Social Protection

Rural Social Scheme

Farm/Fish Assist

Community Employment Scheme

Tús (community work placement initiative)

Job Initiative Scheme

Health Service Executive (HSE)

Blind Welfare Allowance

Department of Education

Vocational Training Opportunities Scheme (VTOS)

Youthreach Training Allowances

Fund for Students with Disabilities

Student Assistance Fund

Non-apprentice payments for trainees attending a course that is funded by SOLAS

Foreign Governments

Social welfare-type payments received from another country.

12.2. Exempt Income

Section of TCA	Title
42	Interest on savings certificates
118	Exemption from BIK – Travel Pass, cycle to work scheme
128F	Key Employee Engagement Programme
153	Distributions to certain non-residents
189	Payments in respect of personal injuries
189A	Special trust for permanently incapacitated
190	Certain payments made by the Haemophilia HIV Trust
191	Hepatitis C compensation payments
192	Payments in respect of thalidomide children
192A	Exemption in respect of certain payment under employment law
192BA	Exemption of certain payments made or authorised by Child and Family Agency
192C	Nursing Home Support Scheme
192D	Fuel Grant payable to Disable Drivers and Passengers
192E	Water Conservation Grant
192F	Exemption in respect of certain education-related payments
192G	Exemption in respect of training allowance payments
192H	Exemption in respect of Mobility Allowance
192I	Exemption in respect of Pandemic Placement Grant
192J	Electricity costs emergency benefit payment

192JA	Payments under Electricity Costs Emergency Benefit Scheme II
192K	Pandemic Special Recognition Payment
192L	Ex Gratia Payment in Respect of an Incorrect Birth Registration
192M	Payments under Covid-19 Death in Service Ex-Gratia Scheme for Health Care Workers
192N	Payments in relation to Ex-Gratia Scheme for Community Employment Scheme Supervisors and Assistant Supervisors
193	Income from Scholarships
194	Child benefit
194A	Early Childcare Supplement
194AA	Certain Childcare Support Payments
194B	Back to Work Family Dividend
195A	Exemption in respect of certain expense payments
196	Expenses of members of Judiciary
196A	State Employees: Foreign Service Allowance
196B	Employee of certain agencies: foreign service allowances
197	Bonus or interest paid under instalment savings schemes
198	Certain interest not to be chargeable
199	Interest on certain securities
200	Certain foreign pensions
201	Basic and increased exemptions in respect of tax under section 123 (Redundancy) including SCSB
203	Lump sum weekly payment or resettlement allowance paid under the Redundancy Payments Act, 1967
204	Military & other pensions, gratuities and allowances
204B	Compensation for certain living donors (donation for kidney transplant)
205	Veterans of war of independence
205A	Magdalen laundry payments

216A	Rent a Room relief
216B	Scéim na bhFoghlaimeoirí Gaeilge
216C	Childcare service relief
216D	Certain profits of micro-generation of electricity
782A	Pre-retirement access to AVCs

12.3. Foreign Employment Income on which Transborder Worker's Relief is due

USC does not apply to that part of the income to which section 825A TCA applies, i.e. Foreign Employment Income.

13. Medical Cards

Individuals whose total income does not exceed €60,000 and who are eligible for a full medical card, including a Health Amendment Act card, only pay USC at a maximum rate of 2%. This reduced rate of USC will apply until the end of the 2023 tax year. This treatment does not apply to individuals who hold other types of 'medical card', such as a GP Visit Card, a Drugs Payment Scheme Card or a Long-Term Illness Scheme Card.

The individual does not need to hold the medical card for the full year to qualify for the 2% maximum USC. The 2% rate applies once the individual holds a full medical card for some period during the year.

Certain individuals who are ordinarily resident in Ireland automatically qualify for an Irish medical card under EU Regulations. However, they are subject to the €60,000 income limit. The European Health Insurance Card, which provides for access to hospital care similar to that provided in public hospitals, is not regarded as a full medical card.

'Frontier workers' from another EU Member State (including, Northern Ireland) who are not entitled to a full Irish medical card, are liable up to the normal maximum 8% USC rate, where they have sufficient income for this rate to apply.

The following paragraphs set out the position in respect of different types of workers.

13.1. Entitlement to a full medical card under EU legislation

Under EU legislation, individuals are subject to the social security scheme of a single Member State. Different rules apply depending on whether an individual is sent by his or her employer to work in another Member State for up to 24 months (known as a 'posted worker') or travels from the Member State of residence to work in another Member State, returning home at least once a week (known as a 'frontier worker'). These rules also apply in the case of a small number of non-EU countries, i.e. Iceland, Liechtenstein, Norway and Switzerland.

(a) 'Posted workers' from EU Member States employed in the State

'Posted workers' generally continue to be subject to the social security scheme of the original Member State and not the State in which they are employed. They retain the rights and advantages acquired through social insurance contributions made in their home country and this includes access to healthcare services. The Health Services Executive (HSE) provides (on application) such individuals with full medical cards as evidence of this entitlement, provided they are not subject to Irish social security legislation, i.e. chargeable to PRSI in Ireland.

Certain forms that are obtained from the relevant public bodies in the original Member State are accepted as evidence of entitlement to a full medical card by the HSE. These are the form A1 (formerly E106) in the case of social security coverage and the form S1 (formerly E101) in the case of healthcare coverage.

Revenue has and will continue to accept the Forms A1 and S1 as evidence of entitlement to a full medical card for the purposes of determining the rate at which USC is to be charged.

(b) 'Frontier workers' resident in the State and employed in another EU Member State

'Frontier workers' who are resident in the State and who travel to another EU Member State to exercise the duties of their employment, returning to the State at least once a week, have entitlement to a full medical card under EU legislation.

Under a bi-lateral agreement with the UK, the usual Forms A1 and S1 are not required, and it is sufficient for an individual to provide evidence of employment in the UK (for example, by way of a payslip) and of not being subject to Irish social security legislation. However, establishing entitlement to a full medical card for the purposes of determining the rate at which USC is to be charged may not be relevant for these 'frontier workers' as their UK employment income is not chargeable to USC if they make a claim under section 825A TCA 1997 for 'Transborder relief'.

Revenue will also accept evidence of employment in the UK as evidence of entitlement to a full medical card for the purposes of determining the rate at which USC is to be charged.

13.2. Entitlement to a full medical card under Irish legislation

'Frontier workers' who are resident in other EU Member States and who travel to the State to exercise the duties of their employment may have entitlement to a full medical card under Irish legislation, but only if the HSE regards them as being ordinarily resident in the State. In addition, such entitlement is subject to a means test.

It is to be noted that, while the higher USC rates will apply, relief for USC paid in Ireland may be available where Ireland has entered into a tax treaty with the country in which the individual is resident for tax purposes and where that treaty contains a provision to the effect that the treaty will apply to any identical or substantially similar taxes that may be subsequently imposed by either State.

Where treaties contain such an article, Revenue has written to Ireland's treaty partners informing them of the introduction of the USC and accepting that it is a substantially similar tax to income tax and that it is covered by the treaty provisions, including relieving provisions.

14. Redundancy Payments

Statutory redundancy payments are exempt from the charge to USC. Statutory redundancy payments amount to 2 weeks pay per year of service plus a bonus week subject to a maximum payment of €600 per week.

In addition, ex-gratia redundancy payments that are in excess of the statutory redundancy amount are exempt from income tax and USC, up to certain limits. USC applies on any relevant emoluments paid that are in excess of these limits. Please see TDM Part 05-05-19 for information on ex-gratia termination payments. There is a lifetime tax-exempt limit of €200,000 on ex-gratia payments.

15. Directors

Income arising from having or exercising the public office of director of an Irish incorporated company

The PAYE system applies to payments made to directors and, as such, USC is deductible by the company at the time of payment.

16. Residency

16.1. USC- employees resident and working in non- tax treaty countries.

Where an individual is not resident in Ireland for tax purposes for a relevant tax year (or part of a tax year in 'split year' cases) and where he /she exercises the duties of a private sector employment wholly outside Ireland, a charge to income tax on the employment income does not generally arise in Ireland. Where appropriate, on application, Revenue will issue a PAYE Exclusion Order.

USC is also not payable in respect of the employment income of a non-resident individual that is attributable to duties exercised wholly outside Ireland, where there is no charge to income tax in Ireland.

16.2. Payment of arrears / bonus where 'split year' applies.

Section 822 TCA 1997 provides for split year residence.

Where an individual–

a. has left the State and is deemed to be resident only up to the date of leaving, and

b. receives income, such as arrears of pay or a bonus, arising from the employment while he or she was resident in the State, but which is paid after he or she has left the State,

the income is emoluments to which the PAYE system applies and is liable to USC in the year in which it is paid to the individual.

17. Certain Bank Bonuses

Employees of the six financial institutions that have received financial support from the State – Irish Life and Permanent, Bank of Ireland, AIB, Irish Bank Resolution Corp (formerly Anglo Irish Bank), EBS and Irish Nationwide Building Society – are chargeable to a special USC rate of 45% where they receive performance-related bonus payments.

Normal rates apply where the cumulative amount of any bonus payments does not exceed €20,000 in a single tax year. Where this threshold is exceeded, the full amount is charged at 45% and not just the excess over €20,000.

Regular salary that does not vary with the performance of the business or the employee is not subject to the increased charge. **[S531AAD TCA 1997].**

18. Property Relief Surcharge

18.1. Introduction

Section 531AAE TCA 1997 provides for an additional rate of USC (property relief surcharge) of 5% on that part of an individual's taxable income which is sheltered by any of the property or area-based incentive reliefs. This includes all the property-based capital allowances and certain reliefs for residential lessors. It applies to capital allowances made in or carried forward into the tax year 2012 and any subsequent tax year or to any losses carried forward into 2012 or a subsequent year, which are attributable to those reliefs for residential lessors.

It applies to any form of income against which any of these reliefs can be ordinarily set, such as rental income and trading income. No distinction is drawn between passive, as distinct from active, partners or traders. The only property relief that is outside the ambit of this surcharge is the residential owner/occupier relief.

18.2. Minimum Income Limit

Any individual who earns less than €100,000 in the tax year is not subject to the surcharge, no matter how much property reliefs are being claimed. There is no upper income limit. The threshold income limit is the 'aggregate income' for the tax year, as defined in Part 18D TCA 1997. This does not necessarily equate with 'taxable income' as it may not include certain reliefs, pension contributions and/or certain losses carried forward. In any event, the first step in determining how much, if any, surcharge is due to be paid is to quantify the income for USC purposes. It is only where this amount is €100,000, or more, that the possibility of the surcharge arises.

18.3. Determination of Amount of Surcharge

The surcharge amounts to 5% on that part of the aggregate income of the individual, against which 'specified property reliefs' have been used.

Specified property relief is defined in section 531AAE TCA 1997. The definition interacts with certain definitions in the High Earners Restriction. The High Earners Restriction restricts the amount of relief available for income tax purposes and recalculates the taxable income of an individual. Under that restriction, certain reliefs, set out in Schedule 25C to the Taxes Consolidation Act 1997, are identified as "specified reliefs". Some, but not all, of these reliefs are property and area-based incentive reliefs and it is only the property related ones which are relevant in this USC surcharge context.

The USC property relief surcharge applies to reliefs claimed **before** the application of the High Earners Restriction.

Where a specified property relief has been claimed to shelter income and has been subjected to the USC surcharge but is then restricted in a tax year due to the High Earners Restriction, the balance carried forward for use in a subsequent tax year will not be classified as a specified property relief in that subsequent tax year. This is on the basis the property relief has already been subject to the surcharge in the year it was restricted by the High Earners Restriction.

Section 531AAE TCA 1997 includes a provision which deems specified property reliefs to have been used before other specified reliefs.

Example A

Kevin's aggregate income for USC purposes is €150,000. He has €160,000 of specified property reliefs available for offset against his taxable income. Kevin is subject to the High Earners Restriction.

A USC property relief surcharge of €7,500 will apply this year (5% of €150,000). The USC surcharge is applied before applying the High Earners Restriction. The surcharge is based on €150,000 and not on €80,000 (the amount to which the use of specified reliefs is restricted for high earners).

The following tax year, the USC property relief surcharge will be based on €10,000 of specified property relief (€160,000 less €150,000). This is the case even though the actual total available property relief for income tax purposes is €80,000 (€160,000 less €80,000).

Example B

Deirdre's aggregate income for USC purposes is €150,000. She has €100,000 of specified property reliefs and €60,000 other specified reliefs (non-property) available for offset against her taxable income. Deirdre is subject to the High Earners Restriction.

A USC property relief surcharge of €5,000 will apply this year (5% of €100,000). The USC surcharge is applied before applying the High Earners Restriction. The surcharge is based on €100,000 and not on €80,000 (the amount to which the use of specified reliefs is restricted for high earners).

No further USC property relief surcharge is payable in the following tax year. The total available specified relief (property and non-property) is €80,000.

18.4. Separation of Carried-Forward Losses and Reliefs

On a year-on-year basis, it will be necessary for any individual who may be affected by this property surcharge to be able to separate losses and reliefs being carried forward so that the correct amount of surcharge is paid, if and when it is due. In the case of certain residential landlords, there may be ordinary rental losses, losses arising from certain specified reliefs in investment in residential properties, as well as wear and tear allowances in respect of plant and machinery, all of which are carried forward from one tax year into the next.

Depending on the order in which these losses and allowances are set against income in the current year, a greater or lesser amount of the specified reliefs that are available for investment in residential properties will have been used.

Section 485C(3) TCA 1997, which is concerned with the High Earners' Restriction, specifies the order in which various reliefs are to be used. From 2007, regardless of whether an individual is subject to the restriction or not, a non-specified relief must be deducted in priority to a specified relief as follows:

- in relation to Case V, capital allowances carried forward are deducted in priority to capital allowances arising in the current year. Where the amount carried forward includes both capital allowances that are specified reliefs and ordinary capital allowances such as those for plant and machinery, the ordinary capital allowances are deducted from the net rent in priority to the capital allowances that are specified reliefs,
- normal rental deductions, such as insurance and management expenses etc., are deducted from gross rent in priority to a specified relief for investment in residential property,
- non-specified reliefs are deducted from total income in priority to specified reliefs,
- loss relief is given for a normal loss in priority to a loss that is referable to the use of specified reliefs,
- normal business expenses, allowed in computing assessable Case I/II income, are deducted in priority to double rent allowance due under section 324, 333, 345 or 354 TCA 1997 or paragraph 13 of Schedule 32.

This is the legislative basis for the order of set-off of various deductions and reliefs against income on a year to year basis. These rules apply to all taxpayers and not just to those to whom the High Earners Restriction applies. It is important in any individual case for an individual to track the use of these deductions and reliefs year-on-year. This is because the individual may not be subject to the property surcharge in every tax year, there may be gaps.

18.5. Initial Segregation of Carried Forward Losses and Reliefs 2012

When the High Earners Restriction legislation was introduced with effect from the tax year 2007, it was necessary to provide for a methodology to separate cumulative losses and reliefs, which were to be carried-forward into that tax year, into the various categories for the purposes of the restriction.

Prior to that time there was no need to separately track these losses and reliefs from one year to the next. That same methodology is now imported into the property relief surcharge for the purposes of the application of the property surcharge in 2012.

The references to 2006 and 2007 are changed to 2011 and 2012, respectively, for this purpose.