

Changes to Medical Insurance Relief for

- **Policies Renewed or Entered into on or after 16 October 2013, and**
- **Policies Renewed or Entered into on or after 1 May 2015**

Information for Employers

Introduction

Finance (No.2) Act 2013 introduced a limit on the amount of tax relief available on Medical Insurance premiums for policies renewed or entered into on or after 16 October 2013.

Finance Act 2015 amended tax relief for medical insurance premiums for young adults from 1 May 2015 on foot of changes introduced under the Health Insurance (Amendment) Act 2014.

Prior to 16 October 2013, tax relief was available on the full gross premium paid.

- **For policies renewed or entered into on or after 16 October 2013** the tax relief per person covered by a policy will be limited to either:
 - Per adult, the lesser of the premium paid in respect of that individual, or €1,000 and
 - Per child*, where the policy is renewed or entered into on or before 30 April 2015, the lesser of the premium paid in respect of that child, or €500. (See also the following paragraph regarding policies renewed or entered into on or after 1 May 2015).

*A child for the purposes of this tax relief means an individual under the age of 18 years or, if over 18 years and under the age of 23 years, is receiving full-time education and in respect of whom a child premium is paid.

- **For policies renewed or entered into on or after 1 May 2015**, the full adult maximum amount of €1,000, or the relevant premium where this is lower, applies for all individuals aged 21 and over, regardless of whether they are availing of a child premium. See Example 5 below.

Tax relief continues to be granted at 20% on the amount eligible for tax relief.

Medical Insurance Premiums paid by Employer

Where an employer pays medical insurance premiums on behalf of an employee and/or his or her dependants, a Benefit in Kind charge will arise. PAYE, PRSI and Universal Social Charge (USC) will be deducted by the employer in respect of the value of the benefit provided. In these circumstances the employee has not benefited from the TRS arising on the medical insurance premium paid by the employer and he or she is entitled to tax relief in his or her tax credit certificate (TCC).

The following examples illustrate how tax relief is applied where medical insurance premiums are paid by employers.

Facts Relevant to Examples 1 & 2:

- Single individual
- Insurer notifies individual of detail of calculation of premium based on choice of policy
- Gross premium = €1,500
- Tax relief at Source (TRS) = €200 (€1,000 @ 20%).
- Net Cost = €1,300
- Insurer will advise of total relief arising on particular policy. If premium less than €1,000 relief restricted to 20% of gross premium.
- Tax relief is to be allocated on a pro-rata basis to the element of the premium paid by the employer and the individual.

Example 1 - Single individual**Employer pays 100% of the premium with employee paying Nil**

- Gross premium paid by employer is €1,500
 - Tax relief related to employer share = €1,000 @ 20% = €200
 - Net payment to be made by employer to insurer will be €1,300
 - Employer pays €200 to the Collector-General
 - Gross premium paid by employee is Nil
- (Summarised in table below)

	Total	Employer	Employee
Gross premium paid	€1,500	€1,500	Nil
Tax relief related to this payment	€200 (€1,000 x 20%)	€ 200	-
Net paid to insurance company	€1,300	€1,300	-
Tax relief paid to Collector-General	€ 200	€ 200	-

Employer

The employer calculates the PAYE, PRSI and USC due on the gross premium of €1,500 and pays €200 to the Collector-General.

Employee

As the employee has not benefited from the TRS arising on the portion of the premium paid by his employer, he is entitled to a tax credit of €200 in his tax credit certificate.

Revenue

TRS section in the office of the Revenue Commissioners pays over the TRS of €200 to the insurance provider.

Example 2 - Single individual**Employer pays 75% of the premium with employee paying 25%**

- Gross premium is €1,500
- Portion paid by employer is €1,125
- Tax relief related to employer share (€1,000 x 75%) = €750 @ 20% = €150
- Net payment to be made by employer to insurer will be €975
- Employer pays €150 to the Collector-General
- Portion paid by employee is €375
- TRS related to employee share (€1,000 x 25%) = €250 @ 20% = €50
- Net payment to be made by employee to insurer will be €325
- Total payment to insurer is (€975 + €325) = €1,300

(Summarised in table below)

	Total	Employer	Employee
Gross premium paid	€1,500	€1,125	€375
Tax relief related to this payment	€200 (€1,000 x 20%)	€ 150	€ 50
Net paid to insurance company	€1,300	€ 975	€325
Tax relief paid to Collector-General	€ 150	€ 150	-

Employer

The employer calculates PAYE, PRSI and USC due on 75% of the gross premium i.e. €1,125 and pays €150 to the Collector-General.

Employee

The employee has received the (€50) TRS due in respect of his portion of the premium paid to the insurance provider. As he has not benefited from the TRS arising on the portion of the premium paid by his employer, he is entitled to a tax credit of €150 in his tax credit certificate.

Revenue

TRS section in the office of the Revenue Commissioners pays over the TRS of €200 to the insurance provider.

Facts Relevant to Examples 3 & 4:

- Multi-person policy (2 adults and 2 children)
- Insurer notifies individual of detail of calculation of premium based on choice of policy. Breakdown will show number of adults and children covered by policy and tax relief at source credit relating to each. For policies renewed or entered into on or after 1 May 2015, the full adult maximum amount of €1,000, or the relevant premium where this is lower, applies for all individuals aged 21 and over, even though they are availing of a reduced premium rate below the full adult price. The insurer will factor this into the tax relief notified to the employer.
- Gross premium per adult = €1,500. Gross premium per child = €400. Total gross premium = €3,800
- Tax relief at Source (TRS) = €560 [(€1,000 @ 20% x 2) + (€400 @ 20% x 2)].
- Net Cost = €3,240
- Insurer will advise of relief for each person covered and total relief arising on particular policy. If premium for any adult is less than €1,000 relief restricted to 20% of that element of gross premium. If premium for any child is less than €500 (or €1,000 if the child is aged 21 or over and the policy was entered into or renewed on or after 1 May 2015), relief restricted to 20% of that element of the gross premium.
- Tax relief is to be allocated on a pro-rata basis to the element of the premium paid by each party.

Example 3 - Multi-person policy

Employer pays 100% of the premium with employee paying nil

- Gross premium paid by employer is €3,800
- TRS related to employer share = €2800 @ 20% = €560
- Net payment to be made by employer to insurer will be €3,240
- Employer pays €560 to the Collector-General
- Gross premium paid by employee is Nil

(Summarised in table below)

	Total	Employer	Employee
Gross premium paid	€3,800	€3,800	Nil
Tax relief related to this payment	€ 560	€ 560	-
Net paid to insurance company	€3,240	€3,240	-
Tax relief paid to Collector-General	€ 560	€ 560	-

Employer

The employer calculates the PAYE, PRSI and USC due on the gross premium of €3,800 and pays €560 to the Collector-General.

Employee

As the employee has not benefited from the TRS arising on the portion of the premium paid by his employer, he is entitled to a tax credit of €560 in his tax credit certificate.

Revenue

TRS section in the office of the Revenue Commissioners pays over the TRS of €560 to the insurance provider.

Example 4 - Multi-person policy
Employer pays 75% of the premium with employee paying 25%

- Gross premium is €3,800
- Portion of premium paid by employer is €2,850
- TRS related to employer share ($€2,800 \times 75\%$) = €2100 @ 20% = €420
- Net payment to be made by employer to insurer will be €2,430
- Employer pays €420 to the Collector-General
- Portion of premium paid by employee is €950
- TRS related to employee share ($€2,800 \times 25\%$) = €700 @ 20% = €140
- Net payment to be made by employee to insurer will be €810
- Total payment to insurer is ($€2,430 + €810$) = €3,240

(Summarised in table below)

	Total	Employer	Employee
Gross premium paid	€3,800	€2,850	€950
Tax relief related to this payment	€ 560	€ 420	€140
Net paid to insurance company	€3,240	€2,430	€810
Tax relief paid to Collector-General	€ 420	€ 420	-

Employer

The employer calculates PAYE, PRSI and USC due on 75% of the gross premium i.e. €2,850 and pays €420 to the Collector-General.

Employee

The employee has received the (€140) TRS due in respect of her portion of the premium paid to the insurance provider. As she has not benefited from the TRS arising on the portion of the premium paid by her employer, she is entitled to a tax credit of €420 in her tax credit certificate.

Revenue

TRS section in the office of the Revenue Commissioners pays over the TRS of €560 to the insurance provider.

Example 5 - Multi-person policy (2 adults and 2 children – David aged 22 and Emma aged 20)
Employer pays for the adults portion of the premium with employee paying for the children's portion of the premium

- Gross premium is €4,200 (Adult €1,500 x 2 + Child €600 x 2). Renewal date: after 1 May 2015
- Portion of premium paid by employer is €3,000
- TRS related to employer share is €2,000 @ 20% = €400
- Net payment to be made by employer to insurer will be €2,600
- Employer pays €400 to the Collector-General
- Portion of premium paid by employee is (the children's portion) €1,200
- TRS related to employee share is:

David (22), a full time student: Child premium €600.

For policies renewed or entered into on or after 1 May 2015, the full adult maximum amount of €1,000, or the relevant premium where this is lower, applies for all individuals **aged 21 and over**, regardless of whether they are availing of a child premium. Therefore the tax relief due is based on the full premium of €600.

Emma (20), a full time student: Child premium €600. The tax relief due is based on the (max) €500.

Total: €600 + €500 = €1,100 @ 20% = €220

- Net payment to be made by employee to insurer will be €980
- Total payment to insurer is (€2,600 + €980) = €3,580

(Summarised in table below)

	Total	Employer	Employee
Gross premium paid	€4,200	€3,000	€1,200
Tax relief related to this payment	€ 620	€ 400	€220
Net paid to insurance company	€3,580	€2,600	€980
Tax relief paid to Collector-General	€ 400	€ 400	-

Employer

The employer calculates PAYE, PRSI and USC due on the adults portion of the premium i.e. €3,000 and pays €400 to the Collector-General.

Employee

The employee has received the (€220) TRS due in respect of his portion of the premium paid to the insurance provider. As he has not benefited from the TRS arising on the portion of the premium paid by his employer, he is entitled to a tax credit of €400 in his tax credit certificate.

Revenue

TRS section in the office of the Revenue Commissioners pays over the TRS of €620 to the insurance provider.

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