

Relief for Contributions to Permanent Health Benefit Schemes and Tax Treatment of Benefits Received under Permanent Health Benefit Schemes

Part 15-01-10

This document should be read in conjunction with sections 125 and 471 of the Taxes Consolidation Act 1997

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1. Introduction

A Permanent Health Benefit scheme generally refers to an insurance policy which will provide an income stream in the event of the individual being unable to carry on his/her occupation due to an accident or sickness. Such policies may also be known as disability insurance or income continuance.

Section 471 Taxes Consolidation Act (“TCA”) 1997 provides for tax relief in respect of contributions to permanent health benefit schemes for the purposes of obtaining permanent health benefits.

Section 125 TCA 1997 provides for the charging to tax of any benefits arising from a permanent health benefit scheme.

Permanent health benefits paid to a person under an approved permanent health benefit scheme are deemed to be emoluments to which PAYE applies.

Approved schemes fall broadly into two categories:

- group schemes and
- individual policies.

1.1 Key Terms

“Contribution” in relation to a permanent health benefit scheme means any premium paid or other periodic payment made to the scheme in consideration of the right to permanent health benefits under it, being a premium or payment which bears a reasonable relationship to the benefits secured by it.

“A permanent health benefit scheme” means a scheme, contract, policy or other arrangement, **approved by the Revenue Commissioners** for the purposes of **section 125 TCA 1997**, which provides for periodic payments to an individual in the event of loss or diminution of income in consequence of ill-health.

“Benefits” mean payments made to a person in the event of loss or reduction of income, as a result of ill health, under a permanent health benefit scheme.

1.2 Employee Protection Insurance

Employee Protection Insurance policies are not permanent health benefit policies for the purpose of this manual. Such policies are taken out by an employer to insure itself against the possibility that the business will have to continue to pay all or part of an employee’s salary while he/she is out sick from work due to illness or injury.

The contract is between the insurance company and the employer. The employer is the policyholder and the employee does not benefit from the proceeds of the policy directly.

With such policies, if a claim is made on the policy:

- the employer will continue to pay the employee through payroll and
- the payments are subject to PAYE in the normal way.

The employer can claim a deduction under section 81 TCA 1997 for policy costs incurred.

2. Group Schemes

A group scheme is usually run or underwritten by an insurance company. Each group scheme must be submitted to Revenue for approval. Where approval is granted the applicant is advised of the registered form number assigned to the policy and members of the scheme will be entitled to claim tax relief in respect of the qualifying contributions.

Relief is due in respect of premiums payable under a group scheme only where the scheme has been approved by Revenue. Taxpayers may be asked for evidence of the premiums paid.

Applications for approval of group schemes for permanent health benefit schemes, and all correspondence relating to same, should be sent to High Wealth and Financial Services Division ("HW & FSD"), Pension Branch:

Office of the Revenue Commissioners,
Pensions Branch,
High Wealth & Financial Services Division,
Castle View 52-57,
South Great George's Street,
Dublin 2,
D02 HF50.

3. Individual Policies

These, in general, consist of individual policies of permanent health insurance taken out with an insurance company. An insurance company may submit to the Revenue Commissioners a standard form or standard forms of permanent health insurance policy. If the Revenue Commissioners are satisfied that a standard form of policy meets the requirements of the relief it will be registered and a registered form number assigned to it. Forms PH (1), PH (5), PH (6), PH (7) and PH (8) are the current forms used.

In the case of forms PH (1) and PH (5), the practice in certain cases is for insurance companies to use a combined form which caters for individuals in employment taxed under PAYE and for self employed individuals taxed under the Income Tax system. See Specimen Forms in [Appendix 1](#).

4. Claiming the Relief

An individual is entitled to claim income tax relief on the premiums he or she pays in respect of a Revenue approved permanent health benefit policy, to the extent that the premiums do not exceed 10% of his or her total income in the relevant tax year.

Tax relief in respect of permanent health insurance premiums can be given directly by the policy holder's employer through what is known as the net pay arrangement.

Where tax relief on the premiums is not given by the employer by way of the 'net pay arrangement', relief may be claimed directly by the individual by following the steps in [paragraph 4.1](#) or [paragraph 4.2](#) below.

4.1 Making a claim in the current tax year

PAYE taxpayers can make a claim for relief in the current year using PAYE Services in myAccount as follows:

- Sign into myAccount.
- Click the 'Manage your tax for the current year' link in PAYE Services.
- Click 'Add new credits'.
- Under the 'Health' section, select 'Income continuance'.
- Input insurer details and the amount to be paid.
- Click 'Next' to complete the claim process.

4.2 Making a claim for the previous 4 years

PAYE taxpayers can also make a claim by completing an Income Tax Return (Form 12) using myAccount as follows:

- Sign into myAccount.
- Click on 'Review Your Tax for the previous four years' link in PAYE Services.
- Request 'Statement of Liability'.
- Click on 'Complete Income Tax Return'.
- Click on 'Tax Credits and Reliefs'.
- Under the 'Health' section, select 'Income continuance'.
- Input insurer details and the amount to be paid.
- Complete and submit the Income Tax Return.

Self-assessed tax payers can claim the relief by completing the 'Permanent Health Benefit' section on their Form 11 annual Income Tax Return after the end of the year.

5. The Charging of Benefits to Tax

All payments of permanent health benefits to a person under an approved permanent health benefit scheme must be subjected to deduction of tax under the PAYE system, except in the circumstances as outlined in paragraphs [6](#) and [7](#) below.

6. Self-Employed Claimants

A self-employed person may apply on a form PH (5) to his or her local Revenue Office to have any benefits receivable treated as part of his or her trading or professional receipts. The application should be made not later than six months after the policy has been taken out.

Where an authorised officer is satisfied with the application and the applicant's income tax compliance history in general, (i.e., he/she is satisfied that the applicant is likely to return the benefits receivable as part of his or her trading or professional receipts, and to pay any tax due thereon), he/she may notify the taxpayer on a form PH (6) of his/her agreement to include any benefits receivable as part of the trading or professional receipts and advise the insurance company on a form PH(7) that PAYE is not to be operated on any benefits payable. This arrangement will apply only so long as the person's trade or profession continues. Where it becomes necessary to terminate the arrangement, the payer of the benefits should be advised on a form PH (8) to commence the operation of PAYE on the benefits.

Where the authorised officer is not prepared to treat any benefits as trading/professional receipts he/she should write to the taxpayer advising him/her accordingly.

7. Treatment of Non-Approved Schemes

There is no obligation on a group or individual to seek approval of a permanent health benefit scheme or policy. For some small schemes, the disadvantages of having to meet the conditions necessary for approval may outweigh any advantages to be obtained. Where a group scheme or policy is not approved then no tax relief is due in respect of any contributions or premiums paid and no assessments should be made in respect of any benefit paid, unless the benefit has continued for at least 12 months prior to the year of assessment.

Appendix 1 - Specimen Forms

Attached are specimens of forms PH(1), PH(5), PH(6), PH(7) and PH(8). The Revenue version of the forms PH(6), PH(7) and PH(8) are in use but this is not the case with forms PH(1) and PH(5). Insurance companies may adapt the latter forms to suit their own computer procedures etc. The Revenue wording will largely be followed but the format may vary. Some companies are amalgamating the PH(1) and the PH(5) into one form with the PH(1) on one side and the PH(5) on the other. All of these forms should be dealt with in accordance with this instruction.

**TAX RELIEF FOR CONTRIBUTIONS TO AN APPROVED PERMANENT
HEALTH BENEFIT SCHEME****Section 471 Taxes Consolidation Act, 1997****INSURANCE
COMPANY:**

ADDRESS:

INSURED:

ADDRESS:

PPSN:

POLICY NUMBER:

Commencement date

PREMIUM:

 per month/quarter/annum (Delete as appropriate)***AMOUNT NOT APPLICABLE
TO PERMANENT HEALTH BENEFITS:**

 per month/quarter/annum (Delete as appropriate)**INSURANCE COMPANY CERTIFICATE:**

THE POLICY BEARING THE ABOVE NUMBER IS IN REGISTERED FORM**NUMBER P.H. :**

SIGNED:

TITLE:

***DO NOT LEAVE BLANK IF NONE WRITE 'NIL'
FORM PH (1)**

TAX RELIEF FOR CONTRIBUTIONS TO AN APPROVED PERMANENT HEALTH BENEFIT SCHEME**Section 471 Taxes Consolidation Act, 1997**

Permanent health benefits paid under an approved permanent health benefit scheme are deemed to arise from an employment and to be emoluments to which PAYE applies. An individual carrying on a trade or profession, however, may apply for the Revenue Commissioners' approval to have the benefits receivable by him treated as part of his trading or professional receipts. Where approval is given, the payer of the benefits will be instructed not to operate PAYE in respect of them and the individual should include the amount of the benefits in the accounts of his business or profession for the period in which the benefits are paid. The payer of the benefits will also make a return to the Revenue Commissioners each year of the amounts paid. The treatment of the benefits as trading or professional receipts will continue only so long as the trade or profession continues. Should the trade or profession cease, the instruction to the payer of the benefits not to operate PAYE will be withdrawn.

If you wish to apply for the Revenue Commissioners approval, you should complete the form of application underneath and submit it to your local Revenue Office. The application should be made at the time approval is sought for the permanent health benefit scheme or if later, at the time you first entered the scheme or not later than six months after whichever of the aforementioned times are appropriate.

PERMANENT HEALTH BENEFITS

To: Revenue Commissioners

Insurance Company: _____

Policy Number: _____

I hereby apply for the Revenue Commissioners' approval to have any permanent health benefits paid under the policy, bearing the above number, treated as part of my trading/professional receipts.

Signature of applicant: _____

Address: _____

PPSN: _____

FORM P.H. (5)

OFFICE OF THE REVENUE COMMISSIONERS

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Dear Sir/ Madam

I am instructed by the Revenue Commissioners to advise you that they have given approval to have any permanent health benefits paid under the policy/policies listed below treated as part of your trading/professional receipts.

Yours faithfully

Authorised Officer

Insurance Company: _____

Policy Number: _____

FORM P.H. (6)

SECTION 125 TAXES CONSOLIDATION ACT, 1997**OFFICE OF THE REVENUE COMMISSIONERS**

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PAYE: TAXATION OF PERMANENT HEALTH BENEFITS
Notice to employer under Section 125, Taxes Consolidation Act, 1997

Employers Registration No.: _____

Name	Address	PPSN	Policy Number

The permanent health benefits paid under the above numbered policy/policies which is/are approved for purposes of Section 125 Taxes Consolidation Act 1997 should NOT be subjected to deduction of tax under the PAYE system until you receive further notice withdrawing this notice.

Authorised Officer**FORM P.H. (7)**

Sections 125 Taxes Consolidation Act, 1997

OFFICE OF THE REVENUE COMMISSIONERS

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PAYE: TAXATION OF PERMANENT HEALTH BENEFITS NOTICE TO EMPLOYER Under Section 125 Taxes Consolidation Act, 1997

Employers Registration No: _____

Name	Address	PPSN Number	Policy Number

The permanent health benefits paid under the above numbered policy/policies which is/are approved for purposes of Section 471 Taxes Consolidation Act, 1997 should be subject to *deduction of tax under the PAYE system with effect from the date of receipt of this notice*. Any previous notice under Section 125 Taxes Consolidation Act 1997 is hereby withdrawn.

Please acknowledge receipt of this notification.

Authorised Officer
FORM P.H. (8)