[15.1.14] Income tax relief for insurance against expenses of illness (Medical/Dental Insurance)

Sections 470 and 470B TCA 1997

Updated August 2016

Contents

1. Introduction

Section 470 TCA 1997 provides for income tax relief in respect of payments made to authorised insurers under relevant contracts in respect of medical insurance and dental insurance. Section **470B TCA 1997** provides for an age related tax credit in the case of payments made for medical insurance policies renewed or entered into on or after 1 January 2009 but before January 2013, where the payment was in respect of an insured person aged 50 years or more. However, the Risk Equalisation Scheme, introduced from 1 January 2013 replaced this tax credit. Under the Risk Equalisation Scheme, where a policy holder is aged over 60 years, the Health Insurance Authority

(HIA) pays an age-related health credit directly to the insurer to cover the increased cost of insuring older persons.

2. Authorised Insurer

Medical insurance

An authorised insurer, with regard to medical insurance, means any undertaking entered in the Register of Health Benefits Undertakings that lawfully carries on the business of medical insurance which provides for the reimbursement or discharge, in whole or in part, of health expenses within the meaning of section **469 TCA 1997.**

A list of medical insurers currently entered in the Register of Health Benefits Undertakings is available on *www.revenue.ie*.

In relation to medical insurance policies effected while an individual was resident in another Member State of the European Union, an authorised insurer also includes any undertaking authorised pursuant to the following EU Directives:

- Council Directive No. 73/239/EEC of 24 July 1973;
- Council Directive No. 88/357/EEC of 22 June 1988; and
- Council Directive No. 92/49/EEC of 18 June 1992.

Dental-only insurance contracts

In the case of dental-only insurance contracts, an authorised insurer means any undertaking, authorised under three EU (Non-Life Insurance) Regulations, which is lawfully carrying on the business of providing dental insurance in respect of dental expenses (other than expenses in respect of routine dental treatment). The three Regulations are:

- The European Communities (Non-Life Insurance) Regulations 1976;
- The European Communities (Non-Life Insurance) (Amendment) Regulations 1991; and

- The European Communities (Non-Life Insurance) Framework Regulations 1994.

An authorised insurer also includes any undertaking, authorised by an insurance supervisory authority of an EU Member State in accordance with Article 6 of EU Directive No 73/239/EEC of 24 July 1973, which is lawfully carrying on the business of providing dental insurance in respect of dental expenses (other than expenses in respect of routine dental treatment).

The question of establishing whether or not an insurance undertaking is duly authorised by the insurance supervisory authority of an EU Member State is a matter for the taxpayer.

Authorised dental insurers are:

- DeCare Dental Insurance Ireland (VHI Business)
- Great Lakes Reinsurance (UK) Plc. Dental
- Laya Healthcare Dental
- DeCare Dental Insurance Ireland (Direct)

3. Relevant Contracts

A relevant contract is one which provides for the reimbursement or discharge, in whole or in part, of health expenses (including non-routine dental expenses) within the meaning of **section 469 TCA 1997.**

For relevant contracts entered into or renewed before 16 October 2013 the reimbursement or discharge of actual health expenses had to be those of an individual, his or her spouse or civil partner, and children or other dependants of the individual or of his or her spouse or civil partner. This requirement was removed for contracts entered into or renewed on or after that date.

4. Income Tax Relief

Income tax relief is granted at the standard rate of tax on the **relievable amount** of the payment. For policies renewed or entered into on or after 16 October 2013 the relievable amount per person covered by a policy is limited to either:

- the lesser of the premium paid or €1,000, per adult, and
- the lesser of the premium paid or €500, per child.

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. A child for all such policies is a child under 21 years of age in respect of whom a child premium has been paid.

Where the payment covers any benefits other than the reimbursement or discharge of health expenses (including non-routine dental expenses) within the meaning of **section 469 TCA 1997 -** for example, where part of a payment secures a weekly sum during illness - that part of the payment does not qualify for relief under section 470, (although it may qualify for relief under **section 471 TCA 1997** – relief for contributions to permanent health benefit schemes 15.01.10). The relievable amount can only be calculated by reference to the part of the premium which relates to the reimbursement or discharge of health expenses.

5. Tax Relief at Source

Income tax relief is generally granted at source under the Tax Relief at Source system (TRS)

Under the TRS system, subscribers pay a reduced premium (gross premium less income tax relief at the standard rate of tax[1]) to the medical or dental insurer and the authorised insurer claims the tax relief granted at source back from Revenue.

Adjustments to the tax relief, (for example, if an individual changes from a particular health insurance plan to another in the course of the tax year), are made automatically by the insurer.

Example 5.1

Kevin renews his medical insurance policy on 1 January. The notice issued by the insurance provider shows both the gross and net premium due:

- Gross Premium €2,500
- Amount on which TRS is calculated €1,000 (maximum for an adult)
- TRS (€1,000 x 20%) € 200
- Reduced (net) premium payable to authorised insurer €2,300 (€2,500 - €200)
- No further claim is required to be made to Revenue by Kevin.

Example 5.2

Sarah renews her medical insurance policy covering two adults and two children on 1 January. The notice issued by the insurance provider shows both the gross and net premium due:

- Gross Premium €5,500 (€2,500 per adult and €250 per child)
- Amount on which TRS is calculated is €2,500

[1] Where the insurance covers both eligible, and non-eligible, health expenses, a rate less than the standard rate (referred to as a "blended rate") will apply. Please contact TRS Unit, Office of the Collector-General for blended rates.

This is calculated as €1,000 for each adult and €250 for each child. The maximum per child is €500 but as the cost in the policy is only €250 each, the relief per child is restricted to €250.

- TRS (€2,500 x 20%) € 500
- Reduced (net) premium payable to authorised insurer €5,000 (€5,500 - €500)
- No further claim is required to be made to Revenue by Sarah.

Claims by authorised insurers

Authorised insurers are entitled to claim back from Revenue the income tax relief granted at source by them. All such claims are dealt with by the TRS Section in the Office of the Collector-General, Sarsfield House, Limerick.

6. Tax Treatment of Medical Insurance Premiums Paid by the Employer

Where an employer pays a medical or dental insurance premium on behalf of a director or employee the employer pays the premium to the insurer net of the tax relief due.

Employee's tax position

The director or employee is chargeable to income tax in accordance with **section 112 TCA 1997** at his or her marginal rate of tax on the value of the perquisite (i.e. the gross premium). PAYE/PRSI/USC must be applied, therefore, to the value of the perquisite by the employer. In this situation, since the employee has not benefited from the TRS on the medical insurance premium paid by the employer he or she is entitled to tax relief in his or her tax credit certificate (TCC) or by way of refund after the end of the year. The tax relief due is the relievable amount in respect of that premium at the standard rate of tax.

Example 6.1

Brian's employer renews his policy on 1 January for €2,300 (€2,500 less tax relief of €200). Brian is charged to income tax, USC and PRSI under the PAYE system on the gross premium of €2,500. As Brian has not benefited from the TRS arising on the premium paid by his employer, he is entitled to a tax credit of €200 in his tax credit certificate or to a repayment of €200 if he applies at the end of the year.

Employer's tax position

To recover the benefit obtained by the employer by way of the reduced premium paid to the authorised insurer, a charge to income tax, (in accordance with **section 112A(3) TCA 1997),** equal to the relievable amount at the standard rate of tax is imposed on the employer**.** The tax paid is allowable as a deduction in charging the employer's profits to tax and must be taken into account in calculating preliminary tax payable.

In the case of a company, the normal rules regarding the payment of preliminary tax and corporation tax apply in relation to the payment of this amount. In the case of an individual or a partnership, it may be accepted that the income tax due may be paid up to the specified return date in relation to the year of assessment to which the charge relates. Where the employer is a partnership, the precedent acting partner may account for the tax.

Example 6.2

The €200 tax relief Brian's employer obtained when renewing Brian's medical insurance policy is paid over to the Collector General and is taken into account in calculating preliminary tax payable. Details are included with his or her, or the company's, tax return for that tax year.

Example 6.3

Employer pays 75% of the premium of an employee with the employee paying 25%**.**

- Gross premium is €1,500
- Premium net of TRS is €1,300 (€1,500 less €1,000 x 20%)
- Total payment to insurer is €975 by employer and €325 by employee (€1,300)
- Tax relief related to employer share (€1,000 x 75%) = €750 @ 20% = €150
- Employer pays €150 to the Collector-General
- Employee is charged to income tax, USC and PRSI on €1,125 (€975 + €150)
- Employee received TRS when premium was paid of (€1,000 x 25%) = €250 @ 20% = €50
- Employee claims balance of tax relief due of €150.

7. Policies renewed or entered into before 16 October 2013

Tax relief was available at the standard rate of tax on the gross premiums paid for policies entered into or renewed prior to 16 October 2013. **Example 7.1**

A qualifying medical insurance policy costs €2,500 gross. The tax relief is €2,500 @ 20% = €500. Therefore the insurer retails the policy at €2,000 and claims the TRS of €500 from the Collector General's.

Tax treatment of medical insurance premiums paid by the employer prior to 16 October 2013

The following examples show how employer paid medical/dental insurance worked in practice for policies renewed or entered into before 16 October 2013.

Example 7.2

The employer pays the full medical insurance premium for an employee. The renewal notice shows the net premium due of €1,600. (The gross premium is €2,000. TRS rate is 20% and TRS is €400.)

Employer

The employer pays the authorised insurer the net of tax relief premium of €1,600. The employer operates PAYE/PRSI/USC on €2,000 notional pay to the employee. The employer pays the tax relief at source (€400) attributable to the premium to the Collector-General and claims a corporation tax/income tax deduction in respect of the tax paid when computing the profits of his or her trade/profession.

Employee

As the employee has not benefited from the tax relief arising on the medical insurance premium paid by the employer and has been taxed on the gross amount, the employee is entitled to a tax credit of €400 (€2,000 at the standard rate) in his or her certificate of tax credits.

Authorised insurer

On receipt of a claim from the authorised insurer, TRS Section in the Collector-General's Office will make a refund to the authorised insurer of the tax relief granted at source (€400).

Example 7.3

The employer pays the full medical insurance premium for an employee but part of the premium relates to non-qualifying health expenses. Therefore the tax relief at source will be calculated at the blended rate for the authorized insurer; i.e. a rate less than the standard rate. The net premium due is €1,780: (gross premium €2,000 less tax relief at source, say, 11%).

Employer

The employer pays the authorised insurer the net of tax relief premium of €1,780. The employer operates PAYE/PRSI/USC on €2,000 notional pay to the employee.

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The employer pays the tax relief at source (€220) attributable to the premium to the Collector-General and claims a corporation tax/income tax deduction in respect of the tax paid when computing the profits of his or her trade/profession.

Employee

As the employee has not benefited from the tax relief arising on the medical insurance premium paid by the employer, the employee is entitled to a tax credit of €220 (€2,000 at the blended rate, say, 11%) in his or her certificate of tax credits.

Authorised insurer

On receipt of a claim from the authorised insurer, TRS Section in the Collector-General's Office will make a refund to the authorised insurer of the tax relief granted at source (€220).

Example 7.4

The employer pays half the medical insurance premium for an employee. The renewal notice shows the net premium due of €1,600. (The gross premium is €2,000).

Employer

The employer pays the authorised insurer one half of the net of tax relief premium of €800. The employer operates PAYE/PRSI/USC on €1,000 notional pay to the employee [(i.e. the gross premium less the amount paid by the employee (€2,000 less €1,000)]. The employer pays the tax relief at source attributable to 50% of the premium, €200, to the Collector-General and claims a corporation tax/income tax deduction in respect of the tax paid when computing the profits of his or her trade/profession.

Employee

The employee pays €800 to the authorised insurer in respect of 50% of the premium; (this is generally done by way of a deduction from his or her net pay and the employer pays over the 100% of the net premium to the authorised insurer). As the employee has not benefited from the tax relief attributable to the medical insurance premium paid by the employer, the employee is entitled to a tax credit of €200 (€2,000 at the standard rate of tax (currently 20%) x 50%) in his or her certificate of tax credits.

Authorised Insurer

On receipt of a claim from the authorised insurer, TRS Section in the Collector-General's Office will make a refund to the authorised insurer of the tax relief granted at source (€400).

8. Age-related Tax Credit

Age-related tax relief in respect of subscribers aged between 50 and 59 years was abolished for the year 2011 and subsequent years where the policy was entered into or renewed on or after 1 January 2011. It was abolished completely in respect of policies entered into or renewed on or after 1 January 2013.

The age-related tax credit only applied to payments made under relevant contracts renewed or entered into on or after 1 January 2009 and before 1 January 2013. It was due in respect of payments made to an authorised insurer in respect of an insured person(s) aged 50 years or over (60 years or over where the policy was entered into or renewed on or after 1 January 2011) on the date the relevant contract was renewed or entered into.

The age-related tax credit was given at source by authorised insurers under the TRS system. Where the medical insurance premium was paid in instalments, (e.g. monthly), the tax credit was given pro-rata.

Age-related tax credit was given for the years of assessment 2009 to 2012 inclusive only. However, in the case of medical insurance premiums payable under contracts of insurance renewed or entered into during the year ending 31 December 2012, where the premium was payable in instalments and some of those instalments were payable in 2013, age-related tax credit could be given in the year of assessment 2013. Please see paragraph 12 regarding restriction on the amount of credit granted in 2013.

The amount of the tax credit, which was per person covered by the payment, varied according to the age of the insured person as per the following table. The rate of ARTC was the rate applicable to the individual on the date the policy was renewed or entered into.

Class of insured person on the date the relevant contract was renewed or entered into	Amount of age-related tax credit 2009	Amount of age-related tax credit 2010	Amount of age-related tax credit 2011	Amount of age-related tax credit 2012
Aged 50 years and over but less than 55 years	€200.00	€200.00	Nil	Nil
Aged 55 years and over but less than 60 years	€200.00	€200.00	Nil	Nil
Aged 60 years and over but less than 65 years	€500.00	€525.00	€625.00	€600.00
Aged 65 years and over but less than 70 years	€500.00	€525.00	€625.00	€975.00
Aged 70 years and over but less than 75 years	€950.00	€975.00	€1,275.00	€1,400.00
Aged 75 years and over but less than 80 years	€950.00	€975.00	€1,275.00	€2,025.00
Aged 80 years and over but less than 85 years	€1,175.00	€1,250.00	€1,725.00	€2,400.00
Aged 85 years and over.	€1,175.00	€1,250.00	€1,725.00	€2,700.00

Example 8.1

9. **An individual entered into a contract of insurance on 1 August 2009 and the premium which was payable annually was €3,000. The insurance contract covered the individual who was aged 52 and the individual's father who was aged 72. The age-related tax credit due was €200 + €950 = €1,150. Age related tax credit - authorised insurers**

For the purposes of the age-related tax credit, (ARTC), an authorised insurer had the same meaning as in paragraph 2, but excluded **restricted membership undertakings** and dental-only authorised insurers. A list of the restricted membership undertakings currently operating is available on www.revenue.ie.

10. Relevant Contract for the purposes of age-related tax credit

For the purposes of the age-related tax credit, a relevant contract had the same meaning as in paragraph 3, with the following exceptions:

- Contracts of insurance relating solely to charges for public hospital in-patient services;
- Certain international contracts of insurance falling under paragraph (d) of the definition of 'health insurance contract' in section 2(1) of the Health Insurance Act 1994.
- Where the payment covered any benefits other than the reimbursement or discharge of health expenses (including non-routine dental expenses) within the meaning of **section 469 TCA 1997,** then an apportionment was necessary.

Contracts of insurance had to provide for the making of in-patient indemnity payments. Contracts of insurance with HSF Health Plan Ltd do not provide for the making of in-patient indemnity payments and consequently premiums paid to HSF Health Plan Ltd did not qualify for the age-related tax credit.

11. Restriction on amount of age-related tax credit

Amount of payment

The amount of the age-related tax credit could not exceed the payment made in respect of the insured person (or persons, where the payment covers more than one person aged 50 years and over) for the relevant year of assessment.

Example 11.1

An individual entered into a contract of insurance on 17 August 2009 and the annual premium payable was €400. The insurance contract covered the individual only and he was aged 68 years on 17 August 2009. The premium was payable by way of monthly instalments with the first instalment due on 1 September 2009. The pro-rata age-related tax credit for 2009, (the balance of the credit would be apportioned per instalment in 2010), for an individual aged 68 was €500 x 5/12 = €209. However, this had to be restricted to the amount of the premium paid - €400 x 5/12 = €167.

Payment made by instalment in 2011

Where an individual paid a medical insurance premium, which fell due in 2011, by way of instalment, and some of those instalments were made in 2012, the amount of age-related tax credit given for 2011 and 2012 could not exceed the amount of age-related tax credit the individual would have received if the annual premium had been paid in full in 2011.

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Example 11.2

An individual entered into a contract of insurance on 17 August 2011. The annual premium which was payable by way of instalments was €1,400. On 1 December 2011, the first contract was cancelled and a new contract of insurance entered into covering the period 1 December 2011 to 30 November 2012. The premium which was payable by way of monthly instalments was €1,500. The first instalment was due on 1 December 2011. The insurance contracts covered the individual only and he was aged 71 years.

2011

First contract - Premium paid	€467	(€1,400 x 4/12)
Second contract – Premium paid	€125	(€1,500 x 1/12)
Total	€592	

Age-related tax credit

First contract	€425	(€1,275 x 4/12)
Second contract	€107	(€1,275 x 1/12)
Total	€532	

2012

Second contract – Premium paid	€1,375
Age-related tax credit	€1,169 (€1,275 x 11/12)
Total age-related tax credit 2011 and 2012	€1,701 (€532 + €1,169)
Age-related tax credit that would have been due if the annual premium had been paid in full in 2011	€1,275
Age-related tax credit in 2012 restricted to (€1,275 less amount allowed in 2011 - €532)	€743

Example 11.3

An individual entered into a contract of insurance on 1 August 2011. The contract covered the period 1 August 2011 to 30 November 2011. The premium payable was €1,000. On 1 December 2011, a new contract of insurance was entered into covering the period 1 December 2011 to 30 November 2012. The premium which was payable by way of monthly instalments was €2,000. The first instalment was due on 1 December 2011. The insurance contracts covered the individual only and he is aged 81 years.

2011

First contract - Premium paid	€1,000	
Second contract – Premium paid	€167	(€2,000 x 1/12)
Total	€1,167	

Age-related tax credit

First contract	€575	(€1,725 x 4/12)
Second contract	€144	(€1,725 x 1/12)
Total	€719	

2012

Second contract – Premium paid	€1,833 (€2,000 x 11/12)
Age-related tax credit	€1,582 (€1,725 x 11/12)
Total age-related tax credit 2011 and 2012	€2,301 (€719 + €1,582)
Age-related tax credit that would have been due if the annual premium had been in full in 2011	€1,725
Age-related tax credit in 2012 restricted to (€1,725 less amount allowed in 2011 - €719)	€1,006

12. Interaction of age-related tax credit and standard-rated income tax relief for payments of medical insurance premiums

Where an individual paid a medical insurance premium that entitled him or her to an age-related tax credit, the normal income tax relief at the standard rate of tax in respect of the payment was calculated on the gross premium minus the age-related tax credit.

Example 12.1

Individual aged 52 years. Gross premium payable in 2009 €2,200

Gross premium	€2,200
Age-related tax credit	€200
Net premium	€2,000
Standard rated income tax relief	€2,000 @ 20% = €400

The authorised insurer granted the age-related tax credit and the income tax relief at standard rate of tax at source under the TRS system. The net premium payable by the individual to the authorised insurer was €1,600 (€2,200 – €200 – €400).

13. Employer paid premiums - contracts renewed or entered into on or after 19 July 2009 and before 1 January 2012 which qualified for age-related tax credit

The following examples show how this worked in practice.

Example 13.1

In 2010 the employer paid the full medical insurance premium for an employee who was aged 52. The insurance premium covered the employee only. The renewal notice showed the net premium due was €1,600 (gross premium €2,200; age-related tax credit €200; income tax relief at the standard rate €400 – policies all entered into or renewed prior to 16 October 2013 when relief was capped).

Employer

The employer paid the authorised insurer the net of tax relief premium of €1,600. The employer operated PAYE/PRSI/USC on €2,200 notional pay to the employee.

The employer paid the tax relief at source (€400) attributable to the premium to the Collector-General and claimed a corporation tax/income tax deduction in respect of the tax paid when computing the profits of his or her trade/profession. The employer did not have to pay the age-related tax credit attributable to the premium to the Collector-General.

Employee

As the employee had not benefited from the tax relief arising on the medical insurance premium paid by the employer, the employee was entitled to an age-related tax credit of €200, and a tax credit of €400 (€2,200 - €200 = €2,000 at the standard rate) which was included in his or her certificate of tax credits.

The Age-Related Tax Credit of €200 could only be claimed at the end of the tax year by completing the Claim for Medical Insurance Relief & Age-Related Tax Credit and submitting it to the local Revenue office together with Form P60.

However, where the income tax due on the perquisite was less than the aggregate of the age-related tax credit and the income tax relief due at the standard rate, the excess was not available for set off against any other income of the director or employee (including other earnings from his or her office or employment) or income of the director's or employee's spouse or civil partner where the employee was a married person or a civil partner in a civil partnership, and was jointly assessed to income tax. The tax credit included in the director's or employee's certificate of tax credits had to reflect this.

In the example above, if the employee was liable to income tax at, say, 20%, the position is as follows:

Perquisite (gross premium)		€2,200
Income tax payable at 20%		€440
Age-related tax credit	€200	
Income tax relief at the standard rate	€400	
		€600
Excess		€160

This excess was not available for set off against any other income of the individual (or of the individual's spouse/civil partner where they were jointly assessed to income tax).

Authorised insurer

On receipt of a claim from the authorised insurer, TRS Section in the Collector-General's Office would make a refund to the authorised insurer of the age-related tax credit of €200 and the €400 income tax relief at the standard rate which were granted at source.

Example 13.2

In 2010 the employer paid half the medical insurance premium for an employee who was aged 52. The insurance premium covered the employee only. The renewal notice showed the net premium due of €1,600 (gross premium €2,200; age-related tax credit €200; income tax relief at the standard rate €400).

Employer

The employer paid 50% of the net premium €800 to the authorised insurer. The employer operated PAYE/PRSI/USC on €1,100 notional pay to the employee (i.e. the gross premium €2,200 x 50%). The employer paid the standard rate of tax relief at source attributable to 50% of the premium, €200 (€400 x 50%), to the Collector-General and claimed a corporation tax/income tax deduction in respect of the tax paid when computing the profits of his or her trade/profession. The employer did not have to pay the age-related tax credit attributable to 50% of the premium to the Collector-General.

Employee

The employee paid the balance of the net premium €800 thus making up what was payable to the insurance provider. (This was generally done through the payroll by way of a deduction from net pay). By paying this net amount, the employee benefited from the tax relief at source on this element of the premium.

As the employee had not benefited from the tax relief arising on that part of the medical insurance premium paid by the employer, the employee was entitled to an age-related tax credit of €100 (50% of €200), and a tax credit of €200, (€2,200 – €200 = €2,000 at the standard rate x 50%), which was included in his or her certificate of tax credits. The age-related tax credit of €200 could only be claimed at the end of the tax year by completing the Claim for Medical Insurance Relief & Age-Related Tax Credit and submitting it to the local Revenue office together with Form P60.

See note in Example 13.1 regarding the position where the income tax due on the perquisite was less than the aggregate of the age-related tax credit and the income tax relief due at the standard rate.

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Authorised Insurer

On receipt of a claim from the authorised insurer, TRS Section in the Collector-General's Office would make a refund to the authorised insurer of the tax relief granted at source – the age-related tax credit of €200, and the €400 income tax relief at the standard rate.

Example 13.3

In 2010 the employer paid 75% of the medical insurance premium for an employee who was aged 52 and 50% of the medical insurance premium in respect of the employee's spouse/civil partner who was aged 49.

The renewal notice in respect of the employee showed the net premium due - €1,600 (gross premium €2,200; age-related tax credit €200; income tax relief at the standard rate €400). The renewal notice in respect of the employee's spouse/civil partner showed the net premium due - €1,600 (gross premium €2,000 less income tax relief at the standard rate €400).

Employer

The employer paid 75% of the net premium, (i.e. €1,200), in respect of the employee and 50% of the net premium (i.e. €800) in respect of the employee's spouse/civil partner to the authorised insurer. The employer operated PAYE/PRSI/USC on €2,650 notional pay to the employee (i.e. the gross premium €2,200 x 75% + €2,000 x 50%).

The employer paid the standard rate of tax relief at source attributable to 75% of the employee's premium €300 (€400 x 75%) and 50% of the employee's spouse's/civil partner premium €200 (€400 x 50%) = €500 in total to the Collector-General and claimed a corporation tax/income tax deduction in respect of the tax paid when computing the profits of his or her trade/profession.

The employer did not have to pay the age-related tax credit attributable to 75% of the employee's premium and 50% of the employee's spouse's/civil partner premium to the Collector-General.

Employee

The employee paid the balance of the net premium - 25% of the net premium relating to him and 50% of the net premium relating to his spouse/civil partner (this is generally done through the payroll by way of a deduction from net pay). By paying this net amount the employee benefited from the tax relief at source on this element of the premium.

As the employee had not benefited from the tax relief arising on that part of the medical insurance premium paid by the employer, the employee was entitled to an age-related tax credit of €150 (75% of €200) and a tax credit of €300 [€2,200 –200 = €2,000 at the standard rate (currently 20%) x 75% + €2000 x 20% x 50%] in his or her certificate of tax credits and standard rate cut-off point.

The Age-Related Tax Credit of €200 could only be claimed at the end of the tax year by completing the Claim for Medical Insurance Relief & Age-Related Tax Credit form and submitting it to the local Revenue office together with Form P60.

See note in Example 13.1 regarding the position where the income tax due on the perquisite was less than the aggregate of the age-related tax credit and the income tax relief due at the standard rate.

Authorised Insurer

On receipt of a claim from the authorised insurer, TRS Section in the Collector-General's Office would make a refund to the authorised insurer of the tax relief granted at source – the age-related tax credit of €200 and the €800 income tax relief at the standard rate.

Example 13.4

In 2010 the employer paid a flat subsidy of €1,000 towards the cost of the medical insurance premium for an employee who was aged 52.

The renewal notice in respect of the employee showed the net premium due - €1,600 (gross premium €2,200; age-related tax credit €200; income tax relief at the standard rate €400).

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Employer

The employer paid €1,000 of the net premium in respect of the employee to the authorised insurer.

The employer operated PAYE/PRSI/USC on €1,375 notional pay to the employee, (i.e. the gross premium, €2,200 x 1000/1600).

The employer paid the standard rate of tax relief at source attributable to 10/16 of the employee's premium, €250 (€400 x 10/16), to the Collector-General and claimed a corporation tax/income tax deduction in respect of the tax paid when computing the profits of his or her trade/profession. The employer did not have to pay the age-related tax credit attributable to 10/16 of the premium to the Collector-General.

Employee

The employee paid the balance of the net premium €600; (this is generally done through the payroll by way of a deduction from net pay). By paying this net amount, the employee benefited from the tax relief at source on this element of the premium.

As the employee had not benefited from the tax relief arising on that part of the medical insurance premium paid by the employer, the employee was entitled to an age-related tax credit of €125 (€200 x 10/16) and a tax credit of €250 [€2,200 –200 = €2,000 at the standard rate (currently 20%) x 10/16] in his or her certificate of tax credits and standard rate cut-off point.

The Age-Related Tax Credit of €200 could only be claimed at the end of the tax year by completing the Claim for Medical Insurance Relief & Age-Related Tax Credit and submitting it to the local Revenue office together with Form P60.

See note in Example 15.1 regarding the position where the income tax due on the perquisite was less than the aggregate of the age-related tax credit and the income tax relief due at the standard rate.

Authorised Insurer

On receipt of a claim from the authorised insurer, TRS Section in the Collector-General's Office would make a refund to the authorised insurer of the tax relief granted at source – the age-related tax credit of €200 and the €400 income tax relief at the standard rate.