

2015/2016 Financial Guideline-08

Government Budget 2016

1. Introduction

The Government budget for the year 2016 made changes to USC, PRSI, the National Minimum wage and the Small Benefit Exemption scheme. The changes below are due to take effect from 1st January 2016, unless otherwise stated.

2. Universal Social Charge (USC)

Income of €13,000 or less is exempt from USC. In all other cases the following rates will apply from January 1st, 2016:

USC Thresholds 2016	
	Rate
Income up to €12,012.00	1%
Income from €12,012.01 to €18,668.00	3%
Income from €18,668.01 to €70,044.00	5.5%
Income above €70,044.00	8%

Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will now pay a maximum rate of 3% USC. The rate of 8% USC will continue to apply under the Emergency Basis.

3. Pay Related Social Insurance (PRSI)

Employee PRSI - Class A

Effective from the 1st January, 2016, employees earning between €352.01 and €424 in a week and who pay Class A PRSI, will be entitled to a new weekly PRSI Credit which will reduce the amount of PRSI deducted from their earnings in that week. There is no PRSI credit once your earnings exceed €424 per week.

Employer PRSI - Class A

Effective from the 1st January, 2016, the entry point for charging employer PRSI at 10.75%, will be increased from €356.01 to €376.01 per week. Employer PRSI at 8.5% will apply to weekly earnings from €38 to €376.

Please note your payroll provider will update your computerised payroll package to take into account the above mentioned USC and PRSI changes.

4. National Minimum Wage

From the 1st January 2016 the National Minimum Wage will increase from €8.65 gross per working hour to €9.15 gross per working hour.

5. Small Benefit Exemption Scheme

The previous threshold was €250. The previous threshold has doubled and been increased to €500. The new rules were expected to be implemented from 1st January 2016 however, the Minister has backdated the commencement date to 22th October, 2015.

Under the Revenue Commissioner's Approved Small Benefit Exemption Scheme employers can provide employees with a small benefit, this small benefit is not subject to PAYE, USC or PRSI. The following rules apply:

- The benefit or voucher cannot exceed €500.
- It cannot be exchanged in part or in full for cash. (cash payments are fully taxable)
- Only one benefit or voucher can be given to an employee in one tax year.
- Where a benefit exceeds the threshold the full value of the benefit is subject to PAYE, USC & PRSI.
- The benefit or voucher cannot be part of any 'salary sacrifice arrangement' between the employee and employer.

'Salary sacrifice arrangement' means any arrangement under which an employee forgoes the right to receive any part of his or her remuneration due under his or her terms or contract of employment and in return his or her employer agrees to provide him or her with a qualifying incentive'

Where more than one benefit is given in a tax year only the first benefit will qualify under the Small Benefit Exemption Scheme.

Further information or clarification on any of the issues raised in this Guideline can be obtained from the FSSU.

Louise McNamara
Director, FSSU
December 2015