



CHAPTER 5

Income Tax and Social Insurance

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Introduction

This chapter is intended as a guide only, so it is very important that you check with your local tax office to make sure you are claiming all the tax relief/credits that you are entitled to, as you may be able to claim additional allowances or credits depending on your circumstances.

In this chapter we help you calculate:

- How much income tax, social insurance and USC you will pay
- How much your 'take-home' pay will be after those deductions

Useful Definitions:

Gross Pay: This is your total pay **before** any income tax, USC, PRSI or Pension payments are taken off.

Net Pay: This is your total pay **after** any income tax, USC, PRSI or Pension payments are taken off

You will find contact details for the Revenue Commissioners in Chapter 7. You can access a comprehensive directory of Revenue Offices on the Revenue website: www.revenue.ie

Universal Social Charge (USC):

You pay Universal Social Charge (USC) if your gross income is more than €13,000 per year. Once your income is over this limit, you pay the USC on all of your income. The USC charge applies to all PAYE workers and self-employed people, with an income above €13,000.

The Universal Social Charge is payable on gross income, including notional pay (notional pay is the value of a non-cash benefit, such as benefit-in-kind), after any relief for certain capital allowances. Income from Ireland or income sourced from Ireland is subject to the USC. The Universal Social Charge is payable on pension contributions. Liability for the USC depends on the date of the payment rather than on when the income was earned.

USC Rates

There are two rates under the USC – Standard Rate and Reduced Rate

Standard Rate: The standard rate of USC will be applied as follows to gross income of €13,000 or more:

2025	Rate
First €12,012	0.5%
Next €15,370	2%
Next €42,662	3%
Balance	8%
Self-employed over €100,000	11%

Reduced Rate	Band
0.5%	Up to €12,012
2%	All income over €12,012

You must hold a full medical card (including a Health Amendment Act Card) to qualify for the reduced rate. People who hold a GP visit card, a Drugs Payment Scheme Card, a European Health Insurance Card or a Long-term Illness Scheme Card do not qualify for the reduced rate.

If a person reaches 70 years at any stage during the year they will benefit from the maximum 2.5% rate for the whole year.

People who hold Northern Ireland medical cards will no longer be treated as holding a full medical card and will therefore not qualify for a reduced rate.

USC and Income

You may be liable to pay the USC on your income, even if you have no liability to pay tax on that income because of tax credits or by the use of losses or capital allowances.

Redundancy payments

Statutory redundancy payments are exempt from the USC, Voluntary Severance / Voluntary Separation payments are not exempt – see Chapter 4 for more information on Voluntary Severance / Voluntary Separation.

The Universal Social Charge is deducted on a cumulative basis – similar to the way in which PAYE is deducted. Employers and pension providers are responsible for deducting the Universal Social Charge from their Employees' salaries. They deduct and pay it to Revenue on behalf of employees.

Employer Tax Credit Certificates (P2Cs), as well as displaying PAYE rates and cut-off points, also show USC rates and cut-off points.

You should inform Revenue of any changes in your circumstances (for example, if you get a medical card) so your Tax Credit Certificate can be amended.

Details of the Universal Social Charge should be recorded separately on your payslip. The total amount of USC paid should be shown on your P60 each year.

Your employer will enter your leaving date and details of your final pay and deductions into Revenue's online system and you can access these details through Revenue's **myAccount** service on www.ros.ie.

Pay Related Social Insurance (PRSI)

About PRSI

When you are in employment you make Pay Related Social Insurance (PRSI) contributions each week, often referred to as “Stamps”, which are deducted directly from your wages. Pay Related Social Insurance (PRSI) contributions go to the Social Insurance Fund (SIF) which helps pay for Social Welfare benefits and pensions and provide for the payment of ‘benefit’s in the event that you become unemployed (Jobseeker’s Benefit) or if you are ill (Illness Benefit) and unable to work. These PRSI contributions may also count towards your contributory old age pension in the future. The social insurance system is under the remit of the Department of Social Protection.

Employees:

Most employees pay Class A PRSI contributions and are covered for all Social Welfare benefits and pensions. This applies to people in industrial, commercial and service type employment who are employed under a contract of service. It also applies to civil and public servants recruited from 6th April 1995.

Self-Employed:

Self-employed people normally pay Class S PRSI. Self-employed people paying Class S PRSI may qualify for; Adoptive Benefit, Carer’s Benefit, Benefit payment for 65-year olds, Guardians Payment Contributory, Invalidity Pension, Jobseeker’s Benefit Self-Employed, Maternity Benefit, Parent’s Benefit, Partial Capacity Benefit, Paternity Benefit, State Pension Contributory, Treatment Benefit, Widow’s, Widower’s or Surviving Civil Partner’s Contributory Pension.

All persons are required to satisfy the underlying qualification conditions for any of these schemes including satisfying any PRSI contribution requirement.

How much PRSI will I pay?

For employees, PRSI is calculated on your gross weekly earnings, and is deducted through PAYE.

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|----------------------------------|---------------------------------|
| – Earning under €352 per week: | You will not pay any PRSI. |
| – Earning over €352.01 per week: | 4.1% PRSI on all your earnings. |

Tax and Social Welfare

Many Social Welfare payments are treated as taxable income. This means that if you, or your spouse / partner, earn any extra income your Social Welfare payment will use up either all, or some, of your tax credits.

If you are claiming a taxable Social Welfare payment you must notify Revenue of any additional income either you or your partner / spouse have.

THE MAIN SOCIAL WELFARE PAYMENTS THAT ARE TAXABLE ARE:

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| <ul style="list-style-type: none"> • Adoptive Benefit • Blind Pension • Carer's Allowance • Carer's Benefit • Death Benefit Pension • Deserted Wife's Benefit • Deserted Wife's Allowance • Disablement Pension
(except for child increases) • Health and Safety Benefit • Illness Benefit (except for child increases) • Invalidity Pension • Incapacity Supplement
(except for child increases) • Injury Benefit (except for child increases) • Jobseeker's Benefit (JB) | <ul style="list-style-type: none"> • Jobseeker's Benefit (Self-Employed) • Jobseeker's Pay-Related Benefit (JPRB) • Maternity Benefit • One-Parent Family Payment • Partial Capacity Benefit
(except for child increases) • Paternity Benefit • Parent's Benefit • Short-Term Enterprise Allowance
(first €13 per week excluded) • State Pension (Contributory) • State Pension (Non-Contributory) • Widow's, Widower's or Surviving Civil Partner's (Contributory) Pension • Widow's, Widower's or Surviving Civil Partner's (Non-Contributory) Pension |
|--|--|

Paying Tax

Most employees are Pay As You Earn or PAYE workers. In practice this means that any income tax you owe is deducted from your wages by your employer.

Unlike the Social Welfare system the tax system does not recognise co-habitation. This means that unless you are legally married or in a registered civil partnership you are treated as a single person for tax purposes.

Tax Credits and Tax Bands

Once you start a job the Revenue Commissioners should send you a 'Determination of Tax Credits and Standard Rate Cut-off Point Notice'. This notice gives you the information that will allow you to work out how much tax you will pay on your earnings.

The tax year runs from the 1st of January 2025 to 31st December 2025, in line with the calendar year. The two main tax rates for the tax year that start on the 1st January 2025 are 20% (standard) and 40% (higher).

The Tax Credit system

Under the 'tax credit' system your liability for tax is calculated on your total gross income. You receive 'tax credits' based on your circumstances. These 'tax credits' are then deducted from your overall tax liability. The tax due is calculated by adding together any applicable tax credits and subtracting them from your overall tax liability. While this might seem a little confusing at first, follow the steps below and see the general examples on the following pages and you will find it easier to understand.

1. Calculate your gross income.
2. Calculate your tax liability. (See Tax Rates and Bands in this chapter)
3. Add together any tax credits that apply to your circumstances.
4. Subtract the amount of your tax credits (step 3) from the amount of your tax liability (step 2) to identify your yearly tax bill.
5. Divide the result of step 4 by fifty-two to obtain your weekly tax bill.

You may also be able to claim other allowances depending on your circumstances, please check or go to: www.revenue.ie

Tax Credits 2025

– Single Person's Tax Credit	€2,000
– Married Couple's / Civil Partners Tax Credit	€4,000
– Home Carer's Tax Credit (maximum)	€1,950
– Widowed (without dependent children)	€2,540
– Single Person Child Carer Credit (SPCCC)	€1,900
– Employee Tax Credit (formerly known as PAYE Tax Credit)	€2,000

PAYE

Pay As You Earn (PAYE) income tax is charged on a tax yearly basis (unlike PRSI and the USC) so your tax credits are averaged out over the tax year. If you take up a job at any stage in the tax year, you can still avail of your full annual allocation of tax credits. You cannot carry credits into the next year. Income from any source including employment, self-employment, pensions and some Social Welfare payments will be assessed for tax purposes.

Income Tax Rates and Bands

There are two main rates of income tax, the 20% standard rate and the 40% higher rate. To work out how much of your income will be taxed at 20% and how much will be taxed at 40% you need to look at the income tax bands.

TAX RATES/BANDS 2025

Single and widowed people without children	€44,000 @ 20%	balance @ 40%
Single and widowed people with children qualifying for Single Person Child Carer Credit (SPCCC)	€48,000 @ 20%	balance @ 40%
Married couple/civil partners with one income	€53,000 @ 20%	balance @ 40%
Married couple/civil partners with two incomes	up to €86,000 (Max) @ 20%	balance @ 40%

Once your income goes over a certain level, you will start paying tax at the higher rate of 40%. This level is called a "tax band". Different tax bands apply to different types of household.