



**An Roinn Tithíochta, Pleanála,
Pobail agus Rialtais Áitiúil**
Department of Housing, Planning,
Community and Local Government

LG 02/2017

25 January 2017

Change in the PRSI treatment of elected members of local authorities

Dear Chief Executive,

I would like to bring to your attention that the Department of Social Protection has notified this Department of recent changes made to the PRSI arrangements that apply to the representational payment made to elected members (see circular LG 03/13 of 28 June 2013) as well as to allowances paid to Cathaoirligh and Leas-Chathaoirligh of local authorities and Cathaoirligh of municipal districts (see circular LG 22/2014 of 3 September 2014).

These changes have been introduced following the commencement of section 10 of the Social Welfare Act 2016 and the *Social Welfare (Consolidated Contributions and Insurability) (Amendment) (No. 2) (Excepted Emoluments) Regulations 2016* (see attached S.I.s Nos. 671 and 673 of 2016).

The representational payment and Cathaoirligh (Council and Municipal District)/Leas-Chathaoirligh allowances made to elected members are taxable under the PAYE system of tax collection and as such the PRSI liability is deducted at source through payroll. Up to the end of 2016 elected members were liable to Class K PRSI, which was charged at the rate of 4%.

With effect from 1 January 2017, most elected members are now liable for Class S PRSI instead of Class K PRSI. It should be noted that those elected members subject to Class S continue to pay PRSI at the rate of 4%, but they gain entitlement to the benefits available to other Class S (self-employed) contributors. Details of the benefits available to Class S contributors can be found on the website of the Department of Social Protection www.welfare.ie.

The allowances paid to Cathaoirligh and Leas-Chathaoirligh of local authorities and Cathaoirligh of municipal districts remain subject to PAYE/PRSI in line with the provisions regarding taxable amounts and other relevant matters contained in the guidance issued by the

Revenue Commissioners on 11 July 2002 in respect the “*Taxation of Allowances paid to Cathaoirligh and Leas-Chathaoirligh of Local Authorities*”. References in the Revenue guidance note to Cathaoirligh of local authorities may also be construed as references to Cathaoirligh of municipal districts. A copy of the Revenue guidance note is attached with this circular.

Please note that some categories of elected members of local authorities are not liable to Class S PRSI. These categories are as follows:

- **All elected members of local authorities who are aged 66 years or over.** These elected members are now not liable to any PRSI charge on their income as a member of a local authority. While the Class K charge applied to Office Holders regardless of age, the Class S charge only applies to contributors, including local authority members, over the age of 16 years and under the age of 66 years. Therefore local authority members aged 66 years or over should not be subject to any PRSI charge.
- **Local authority members who are also modified rate contributors and are under 66 years of age** (i.e. civil service and public sector employees recruited before April 1995 who pay Classes B, C or D on their civil service/public sector earnings).

Note on modified rate contributors: Modified rate contributors pay PRSI Class K at the rate of 4% on all of their non-employment income. (This PRSI charge is a different category of Class K charge to that applied to public office holders.) Modified rate contributors pay this Class K charge on their:

- (i) earned and unearned income which is taxed under the self-assessed system of tax collection, and
- (ii) self-employed (non-employment) income which is taxed under the PAYE collection system.

The income paid to elected members falls under paragraph (ii) above. Accordingly, in cases where an elected member is, at the same time, employed as a modified rate contributor working in the civil service/public sector, then the 4% PRSI charge on their taxable income as an elected member is recorded under Class K.

Class K contributions do not give entitlement to any social insurance benefits, based on the payment of that charge. Modified rate contributors will, however, continue to have access to the social insurance benefits available under the PRSI Class to which they contribute as a civil service/public sector employee.

Details of the Class K charge for modified rate contributors can be found on the Department of Social Protection website – <http://www.welfare.ie/en/Pages/Information-on-the-Extension-of-PRSI-Liability-to-Unearned-Income.aspx>

I would appreciate if you could ensure that these changes are brought to the attention of your elected members as well as to your payroll section, if appropriate, in the event that your local authority is not part of the MyPay payroll system.

If you have any queries on this issue please contact Pat Lynch, PRSI Policy Unit, Department of Social Protection, Floor 4, Áras Mhic Dhiarmada, Store Street, Dublin 1; email: pat.lynch@welfare.ie / ph: (01) 7043612.

Yours sincerely,

A handwritten signature in blue ink on a light yellow background. The signature reads "Gary Mc Guinn" in a cursive script.

Gary McGuinn
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