

GMS Flash Alert

2024-153 | July 18, 2024

Ireland – New Regime for Pay-Related Jobseekers Benefit and Upcoming PRSI Rate Changes

Ireland's *Social Welfare (Miscellaneous Provisions) Bill 2024*¹ was passed by both houses of the Oireachtas on 9 July 2024, and is expected to be signed into law shortly. The Bill provides for the introduction of a Pay-Related Jobseekers Benefit for newly-unemployed workers similar to those already in operation in other European Union (EU) countries. It also provides for the implementation of a programme of Pay-Related Social Insurance (PRSI) increases for 2024 to 2028 inclusive for employers, employees, and the self-employed.

WHY THIS MATTERS

The new Pay-Related Jobseekers Benefit will help support the income needs of the newly-unemployed and is expected to help cushion to some degree the impact of the drop in income experienced by someone who becomes unemployed.

The incremental rises in PRSI over the next four years will raise the social tax liability for employees and employers, and to the extent international assignees are tax-equalised and subject to PRSI, employers will see their assignment-related costs increase.

New Pay-Related Jobseekers Benefit

A Pay-Related Jobseekers Benefit regime is soon to be introduced for newly-unemployed workers and provides for enhanced unemployment benefits, subject to a weekly cap. The purpose of the regime is to minimise the cliff-edge drop in income for those individuals who have paid social security contributions prior to becoming unemployed. Currently all unemployed individuals receive the same benefit rate, whether or not the recipient has ever worked. The new regime is subject to a commencement order, pending upgrade of government information technology (IT) systems.

The announcement² of the new regime noted the following key features:

- The weekly rate of payment for people who have paid at least five years of PRSI contributions will be set at 60 percent of previous earnings, subject to a maximum of €450 per week for the first three months.
- After that, the rate will reduce to 55 percent of earnings, subject to a maximum weekly rate of €375 for the following three months.
- A further three months will be paid at the rate of 50 percent, up to a maximum €300 weekly payment.
- For people who have between two and five years of paid contributions, the rate will be set at 50 percent of previous earnings subject to a maximum of €300 per week and six months' duration.
- The scheme will be available to persons who become fully unemployed after the date of commencement of the scheme. People who lose their jobs before that date will remain entitled to the existing Jobseeker's Benefit.

The Bill includes a provision to treat Pay-Related Jobseeker's Benefit as taxable income of the recipient.

2024 to 2028 PRSI Rate Changes

The Bill provides the legislative basis to enable a programme of incremental increases in all classes of PRSI (employer, employee, and self-employed) totalling 0.7 percentage points over the next five years. These increases are noted as required to support retention of the state pension age of 66, to address the long-term sustainability challenges facing the Social Insurance Fund and provide for the introduction of Pay-Related Jobseeker's Benefit.

The increases will come into effect on 1 October of the relevant years and are as follows:

- 2024: 0.1 percentage points;
- 2025: 0.1 percentage points;
- 2026: 0.15 percentage points;
- 2027: 0.15 percentage points;
- 2028: 0.2 percentage points.

For example, Employee and Self-Employed PRSI will increase from a 4.1-percent rate on 1 October 2024 to 4.7 percent by 1 October 2028. The minimum contribution for self-employed people and voluntary contributors (formerly self-employed) will also increase by €150 to €650 from 1 October 2024.

Employer PRSI rate will increase in line with the above percentages. The highest Employer PRSI rate (which is paid where weekly earnings exceed €441) is currently 11.05 percent and will increase to 11.15 percent from 1 October 2024, and incrementally thereafter to 11.75 percent by 1 October 2028. The Bill provides that the higher rate of Employer PRSI will only apply where weekly earnings are €496 or higher with effect from 1 October 2024. This will help ensure that employers with employees working full-time on the national minimum wage will continue to pay the lower Employer PRSI rate of 8.8 percent.

KPMG INSIGHTS

The Pay-Related Jobseekers Benefit and the rise in PRSI rates are significant changes and individuals and employers may wish to consult with their qualified tax professionals or a member of the GMS-Tax team with KPMG in Ireland (see the Contact Us section) to better understand the impact of these changes and how to prepare for them.

FOOTNOTES:

- 1 [Social Welfare \(Miscellaneous Provisions\) Bill 2024](#) on the website of the Oireachtas.
- 2 Department of Social Protection, Press release (9 July 2024), "[Landmark legislation to introduce Pay-Related Benefit in Ireland passed by the Oireachtas.](#)"

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Contact us

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