

[5.1.18] Employer-Paid Medical Insurance Premiums.

Employee Perquisites

Tax Briefings Issue 43 (April 2001) Issue 49 (August 2002) have now been superseded by this updated manual.

Updated April 2016

1. Introduction

Where an employer pays medical insurance premiums on behalf of an employee and/or his or her dependants, a Benefit in Kind charge will arise. PAYE, PRSI and Universal Social Charge (USC) will be deducted by the employer in respect of the value of the benefit provided.

2. Tax treatment of perquisite - Employee

An employee is chargeable to income tax at his/her marginal rate on the value of the gross premium (as a taxable perquisite) but will be given a credit for tax relief in respect of the relievable portion of the premium in the calculation of the tax chargeable on that perquisite.

Finance (No.2) Act 2013 introduced a limit on the amount of tax relief available on Medical Insurance premiums for policies renewed or entered into on or after 16 October 2013.

Prior to the above change tax relief was available on the full gross premium paid.

- For policies renewed or entered into on or after 16 October 2013 the tax relief per person covered by a policy will be limited to either:
 - Per adult, the lesser of the premium paid in respect of that individual, or €1,000, and
 - Per child*, the lesser of the premium paid in respect of that child, or €500.

*A child for the purposes of this tax relief means an individual under the age of 18 years or, if over 18 years and under the age of 23 years, is receiving full-time education and in respect of whom a child rate premium is paid.

Finance Act 2015 amended tax relief for medical insurance premiums for young adults from 1 May 2015 on foot of changes introduced under the Health Insurance (Amendment) Act 2014:

- 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.

Tax relief continues to be granted at 20% on the amount eligible for tax relief.

3. Tax treatment of perquisite - Employer

The employer deducts and retains income tax at the standard rate of income tax (20%) on the relievable portion of the premium. The employer pays this amount to TRS section in the Office of the Collector General's, Revenue Commissioners. This tax payment will be allowed as a deduction in taxing the employer's profits.

To ensure employees who are taxed on the BIK receive the appropriate tax credit, the Form P35L includes a field to allow employers to notify Revenue of the amount of 'Medical Insurance Premium eligible for tax relief paid by Employer'. See Note in the example hereunder regarding the correct figure to return on the P35L.

Example:

An employee renews their policy on 1 January 2016. The employer pays the full premium as part of the employee's remuneration (i.e. perquisite). The details of the policy are as follows:

- Gross premium paid by employer is €1,500
- Tax relief related to employer share = €1,000 @ 20% = €200
- Net payment to be made by employer to insurer will be €1,300
- Employer pays €200 to the Collector-General

The tax position is:

Employer

The employer calculates the PAYE, PRSI and USC due on the gross premium of €1,500 and pays €200 to the Collector-General.

The employer returns €1,000 in the 'Medical Insurance eligible for tax relief paid by Employer' field on the end of year Form P35L.

Note:

It is the amount eligible for tax relief (€1,000) that should be included on the P35L and not the amount of the tax credit due (which will be calculated by ROS subsequently (€1,000 x 20% = €200)).

Employee

The employee pays tax, PRSI and USC on the benefit received (€1,500). As he/she has not benefited from the Tax Relief at Source (TRS) arising on the portion of the premium paid by his/her employer, he/she is entitled to a tax credit of €200 (max €1,000 x 20%) in his/her tax credit certificate. This tax credit can be given to the employee based on the data submitted by the employer on his/her Form P35L. Where the tax credit has **not** been given on the tax credit certificate for a prior year, the employee can claim it by completing a Form 12 for that year. The eForm 12 is the electronic version of the form and is simpler to complete than the paper Form 12.

Revenue

TRS section in the Collector General's Office, Revenue Commissioners pays over the TRS of €200 to the insurance provider.

Further information is available at:

- [Medical Insurance Relief – Information for Employees](#)
- [Medical Insurance Relief – Information for Employers](#)