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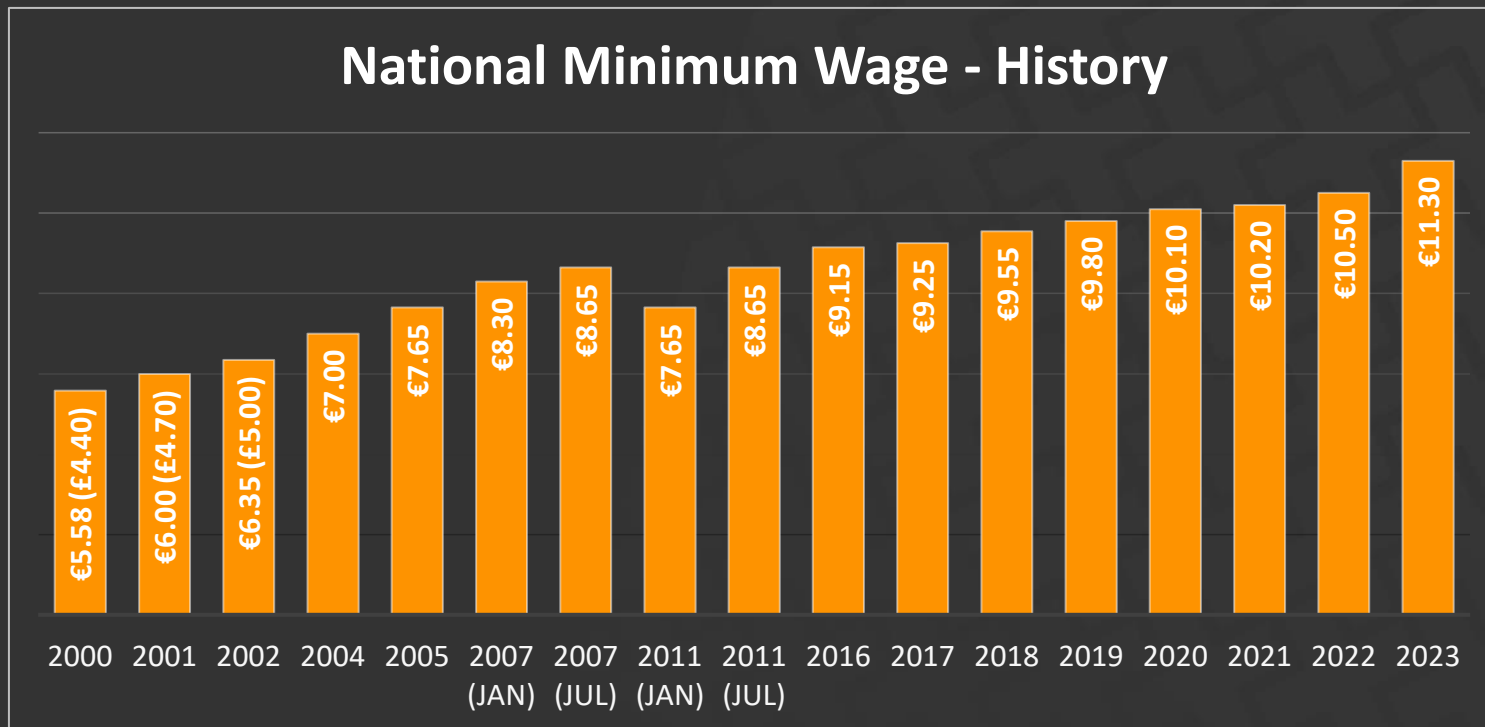
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Budget 2023 Payroll Webinar

Topics

- National Minimum Wage and Living Wage
- Standard Rate Cut Off Point and Tax Credits
- USC
- Social Welfare Benefits
- SARP & Small Benefit Exemption
- Benefit In Kind changes 2023 (Employer provided vehicles)
- Statutory Sick Pay
- Automatic Enrolment (Pension)
- Questions

National Minimum Wage



National Minimum Wage

From **1st January 2023**, the Minimum Wage will be increased by **80c**. This is the highest single rate increase since the start of the Act. **65c** was the previous high (2004)

Category	2022	2023
Experienced Adult Worker (Aged 20 and over)	€10.50	€11.30
Aged 19 (90% of the NMW)	€9.45	€10.17
Aged 18 (80% of the NMW)	€8.40	€9.04
Workers under 18 (70% of the NMW)	€7.35	€7.91

National Minimum Wage

Single person on NMW based on 39 hours per week	2022	2023	Diff
Weekly Gross Income (€10.50 vs €11.30)	€409.50	€440.70	€31.20
Tax due (20%)	€16.52	€19.87	€3.35
PRSI (4%) *	€13.96	€17.63	€3.66
USC (banded) **	<u>€4.73</u>	<u>€5.35</u>	<u>€0.62</u>
Total deductions	€35.20	€42.85	€7.63
Weekly Net Pay	€374.30	€397.85	€23.57
ER PRSI (11.05%)***	<u>€36.04</u>	<u>€48.70</u>	<u>€12.66</u>
Total ER Cost	€445.54	€489.40	€43.86

* An assumption has also been made that the current PRSI credit of €12.00 will be lost as earnings are now over €424.

** Based on USC rate band increase in line with NMW increase bringing rate 2 from €21,295 to €22,920 (39hrs basis)

*** Based on the Employer PRSI weekly threshold of €410 remaining the same.

Living Wage

On the 14th June 2022, the Tánaiste outlined a proposal to bring in a living wage for all workers to be phased in over a 4-year period. The living wage will be set at **60%** of the median wage in any given year. The national minimum will remain in place until a living wage becomes mandatory in **2026**.

Category	2022	2023	2024	2025	2026
Progression to Living Wage	€10.50	€11.30	€12.10	€12.90	€13.70
60% Median (LW recommendation)	€12.17	€12.54	€12.92	€13.30	€13.70

The above graph is for illustrative purposes only (based on 14th June 2022 and Low Pay Commission recommendations). For 2023 the National Minimum Wage will be set to **€11.30** and the Living Wage to **€13.10**.

Standard Rate Cut Off Points

Standard Rate Cut off Point	2022	2023
Single / Widowed Person or Surviving Civil Partner without qualifying children	€36,800	€40,000
Married Couple or Civil Partnership – One Income	€45,800	€49,000
Married Couple or Civil Partnership – Two Income	€45,800 €27,800*	€49,000 €31,000

*The rate band is capped at the lower of €31,000 or the income of the lower earner. This cannot be transferred between spouses / civil partners.

Tax Credits

Annual Tax Credits	2022	2023
Personal Tax Credit	€1,700	€1,775
Employee PAYE Tax Credit	€1,700	€1,775
Earned Income Credit	€1,700	€1,775
Home Carer Tax Credit	€1,600	€1,700
Rent Tax Credit		€500
A full list of Tax Credits can be found off the Revenue website.		

USC

Rate of USC	Weekly COP	Fortnightly COP	Monthly COP	Annual COP
USC Rate 1 – 0.5%	€231	€462	€1,001	€12,012
USC Rate 2 – 2%	€440.77	€881.54	€1,910	€22,920
USC Rate 3 – 4.5%	€1,347.00	€2,694	€5,837	€70,044
USC Rate 4 – 8%	Balance	Balance	Balance	Balance

From **1st January**, USC will apply at the following rates for those earnings in excess of **€13,000**. The ceiling of the second USC rate band has increased to **€22,920** from **€21,295**.

Medical card holders and those with an income not exceeding €60,000 will pay a maximum rate of 2%. This concession has been extended until 31st December 2023.

Non-PAYE income in excess of €100,000 is subject to USC at 11%.

Calculations

Single person with annual salary of €40,000	2022	2023
Annual income	€40,000.00	€40,000.00
Tax due	€5,240.00	€4,450.00
PRSI	€1,600.00	€1,600.00
USC	€1,087.45	€1,046.82
Total deductions	€7,927.45	€7,096.82
Annual disposable income	€32,072.56	€32,903.18
Monthly disposable income	€2,672.71	€2,741.93
Weekly disposable income	€616.78	€632.75
Total difference between 2022 & 2023		
Annual disposable income	€830.63	
Monthly disposable income	€69.22	
Weekly disposable income	€15.97	

Calculations

Married couple with 2 salaries of €50,000 & €35,000	2022	2023
Annual income	€85,000.00	€85,000.00
Tax due	€12,480.00	€10,900.00
PRSI	€3,400.00	€3,400.00
USC	€2,399.89	€2,318.64
Total deductions	€18,279.89	€16,618.64
Annual disposable income	€66,720.11	€68,381.36
Monthly disposable income	€5,560.01	€5,698.45
Weekly disposable income	€1,283.08	€1,315.03
Total differences		
Annual disposable income	€1,661.25	
Monthly disposable income	€138.44	
Weekly disposable income	€31.95	

Social Welfare **Benefits**

Type of Leave	Who get it?	Maximum Length	Paid by DSP	Previous Amount 2022	Current Amount 2023
Maternity Leave	Female employees	26 weeks	Yes	€250	€262*
Adoptive Leave	Adoptive mothers/Men adopting alone	24 weeks	Yes	€250	€262*
Additional Maternity/ Adoptive Leave	Female employees or adoptive mothers/ men adopting alone	16 weeks	No	€0.00	€0.00
Carer's Leave	The relevant person	104 weeks	Yes	€225	€237*
Paternal Leave	Parents and guardians of children under 12 years	26 weeks	No	€0.00	€0.00
Paternity Leave	New parents of children under 12 years	2 weeks	Yes	€250	€262*
Parent's Leave	Parents of children under 2 year of age (or in first year of adoption).	7 weeks from July 2022	Yes	€250	€262*

*Changes are based on an assumption that all social welfare payments are to increase by €12

Other Topics

Special Assigned Relief Programme (SARP)

- » SARP has been extended to 31 December 2025 but increasing the minimum income limit for new entrants to €100,000
- » Existing claimants are not affected by the change (income limit remains €75,000)

Small Benefit Exemption

- » Small Benefit Exemption has been increased to a limit of €1,000 (previously €500)
- » Two benefits can be given in the tax year (combined total €1,000)
- » Can be applied effective 2022 tax year

Benefit in Kind – Company Vehicles

Note that the temporary concession that applied to BIK on company cars during COVID-19 ended on the **31st May 2022** reverting to normal pre-COVID rates, even if the employer permits employees to work from home after this date.

Applicable rates with effect from 1st January 2014 to **31st December 2022**:

Annual business km lower limit	Annual business km upper limit	% of OMV
0	24,000	30%
24,001	32,000	24%
32,001	40,000	18%
40,001	48,000	12%
48,001 and over	-	6%

Benefit in Kind – Company Vehicles

Section 6 of Finance Act 2019 introduced a new method to calculate the cash equivalent of the use of a car. These changes will take effect for the year of assessment **2023** and subsequent years

Lower Limit	Upper Limit	Cat A	Cat B	Cat C	Cat D	Cat E
kilometres	kilometres	0-59 (CO ₂ g/km)	60-99 (CO ₂ g/km)	100-139 (CO ₂ g/km)	140-179 (CO ₂ g/km)	>180 (CO ₂ g/km)
0	26,000	22.5%	26.25%	30%	33.75%	37.5%
26,001	39,000	18%	21%	24%	27%	30%
39,001	52,000	13.5%	15.75%	18%	20.25%	22.5%
52,001	-	9%	10.5%	12%	13.5%	15%

Vans:

Section 6 of Finance Act 2019 also introduced a change to the percentage used in the calculation of the cash equivalent of the use of a van. From **1st January 2023**, the percentage used in the calculation of the cash equivalent of the use of a van will increase from 5% to **8%**

Benefit in Kind – Company Vehicles

Example 1: High emission vehicle

Vehicle Type	OMV	Annual Business Kms	CO ₂ Emissions	Vehicle Category
VW Passat 1.6 TDI	€37,000	25,000	150g per km	D
2022	2023		Difference	
BIK €37,000 @ 24% =	€8,880	BIK €37,000 @ 33.75% =	€12,488	€3,608
Tax @ 40% =	€3,552		€4,995.20	€1,443.20
USC @ 8% =	€710.40		€999.04	€288.64
EE PRSI @ 4%	€355.20		€499.52	€144.32
Net Pay =				(€1,876.16) ↓
ER PRSI @ 11.05% =	€981		€1,380	€399 ↑

Assuming employee is already paying in the highest rates of tax.

Benefit in Kind – Company Vehicles

Example 2: Low emission vehicle

Vehicle Type	OMV	Annual Business Kms	CO ₂ Emissions	Vehicle Category
BMW X1 xDrive 25e PHEV	€50,000	25,000	43g per km	A
2022		2023		Difference
BIK €50,000 @ 24% =	€12,000	BIK €50,000 @ 22.5% =	€11,250	(€750)
Tax @ 40% =	€4,800		€4,500	(€300)
USC @ 8% =	€960		€900	(€60)
EE PRSI @ 4%	€480		€450	(€30)
Net Pay =				€390 ↑
ER PRSI @ 11.05% =	€1,326		€1,243	(€83) ↓

Assuming employee is already paying in the highest rates of tax.

Benefit in Kind – Company Vehicles

Example 3: Company Van

Vehicle Type	OMV	Annual Business Kms	CO ₂ Emissions	Vehicle Category
Ford Transit 2 litre	€30,000	n/a	n/a	n/a
2022	2023		Difference	
BIK €30,000 @ 5% =	€1,500	BIK €30,000 @ 8% =	€2,400	€900
Tax @ 40% =	€600		€960	€360
USC @ 8% =	€120		€192	€72
EE PRSI @ 4%	€60		€96	€36
Net Pay =				(€468) ↓
ER PRSI @ 11.05% =	€166		€265	€99 ↑

Assuming employee is already paying in the highest rates of tax.

Benefit in Kind – Electric Vehicles

2022:

- No BIK where OMV does not exceed €50,000
- BIK as normal on the excess OMV over €50,000

2023:

- €50,000 exemption abolished through a phasing out approach
- OMV will be reduced by:
 - €35,000 for tax year 2023
 - €20,000 for tax year 2024
 - €10,000 for tax year 2025
 - From 2026 onwards the phased removal of BIK exemption will be gone

Benefit in Kind – Electric Vehicles

Example 1: OMV under €50k with low mileage and category A

	2022	2023	2024	2025
OMV	€40,000	€40,000	€40,000	€40,000
Less Exemption	€50,000	Nil	Nil	Nil
Reduction in OMV	Nil	€35,000	€20,000	€10,000
OMV for BIK	Nil	€5,000	€20,000	€30,000
Rate of BIK	Nil	22.5%	22.5%	22.5%
Notional Pay	Nil	€1,125	€4,500	€6,750
Tax @ 40%	Nil	€450	€1,800	€2,700
USC @ 8%	Nil	€90	€360	€540
PRSI @ 4%	Nil	€45	€180	€270
Net Pay – Year on Year decrease*	-	(€585)	(€1,755)	(€1,170)
ER PRSI @ 11.05%	-	€124	€497	€746

Assuming employee is already paying in the highest rates of tax.

Benefit in Kind – Electric Vehicles

Example 2: OMV over €50k with low mileage and category A

	2022	2023	2024	2025
OMV	€70,000	€70,000	€70,000	€70,000
Less Exemption	€50,000	Nil	Nil	Nil
Reduction in OMV	Nil	€35,000	€20,000	€10,000
OMV for BIK	€20,000	€35,000	€50,000	€60,000
Rate of BIK	30%	22.5%	22.5%	22.5%
Notional Pay	€6,000	€7,875	€11,250	€13,500
Tax @ 40%	€2,400	€3,150	€4,500	€5,400
USC @ 8%	€480	€630	€900	€1,080
PRSI @ 4%	€240	€315	€450	€540
Net Pay – Year on Year decrease*	-	(€975)	(€1,755)	(€1,170)
ER PRSI @ 11.05%	€663	€870	€1,243	€1,492

Assuming employee is already paying in the highest rates of tax.

Benefit in Kind – Electric Vehicles

Example 1: Electric Van under €50k

	2022	2023	2024	2025
OMV	€38,500	€38,500	€38,500	€38,500
Less Exemption	€50,000	Nil	Nil	Nil
Reduction in OMV	Nil	€35,000	€20,000	€10,000
OMV for BIK	Nil	€3,500	€18,500	€60,000
Rate of BIK	Nil	8%	8%	8%
Notional Pay	Nil	€280	€1,480	€2,280
Tax @ 40%	Nil	€112	€592	€912
USC @ 8%	Nil	€22.40	€118.40	€182.40
PRSI @ 4%	Nil	€11.2	€59.20	€91.20
Net Pay – Year on Year decrease*	-	(€145.60)	(€624)	(€416)
ER PRSI @ 11.05%	-	€30.94	€163.54	€251.94

Assuming employee is already paying in the highest rates of tax.

Benefit in Kind – Future Considerations

- May be advisable for employers to carry out costings in advance of the new rules
- Employers could inform employees of the extra tax which may arise from the 1st pay period
- Employers may want to consider long term options when purchasing or upgrading company vehicles

Statutory Sick Pay (SSP) – What we know?

On the 20th July 2022 the Sick Leave Act 2022 became law. The Tánaiste confirmed on the 14th September 2022 that he will commence the operation of SSP effective **1st January 2023**.

Once commenced the scheme will be rolled out over four years as follows;

- 2023 – 3 days
- 2024 – 5 days
- 2025 – 7 days
- 2026 – 10 days (full operation)

A rate of payment for statutory sick pay will be set at **70%** of usual daily earnings capped at **€110** per day.

Both full time and part time employees can avail of paid leave and will be in addition to other leave entitlements including annual leave, parental and maternity leave as well as public holidays.

All workers will have a right to, take a complaint to the WRC where they are not provided with a company sick pay scheme

Statutory Sick Pay (SSP) – Review, Review, Review!

In summary, an employer who provides a sick leave scheme to employees more favourable than the terms of the statutory scheme will not have additional obligations under the Act. The proposed statutory provisions provided in the Act are;

- The period of service of an employee required before sick leave is payable
- The number of days an employee is absent before sick leave is payable
- The period for which sick leave is payable
- The amount of sick leave that is payable
- The reference period of the sick leave scheme

The Act sets out the conditions under which employees can take statutory sick leave;

- Must have completed **13 weeks' continuous** service before availing of SSP
- Must provide their employer with a **cert** from a register medical practitioner stating unfit for work
- Leave must be in relation to a day or days when an employee would **ordinarily work**
- Leave can be taken on **consecutive days** or **non-consecutive days**

Automatic Enrolment – Pension Retirement Savings System

Auto Enrolment is set to begin in **January 2024**. This scheme has been created because too few people have sufficient pension coverage to enable a reasonable standard of living in retirement above the level of the State Pension.

Key Features:

- Eligible employees who are aged between **23** and **60**, earning over **€20,000** a year who are not already enrolled in an occupational pension scheme. Those earning less than €20,000 can elect to opt-in.
- The scheme will operate on an **opt-out basis** (after the minimum membership period of 6mths).
- Employees may suspend their contributions at any time outside the defined periods.
- Employees who have opted-out or suspended will be automatically **re-enrolled after two years**.
- Employees who are existing members of an occupational pension scheme will not be accessed for AE.
- AE pension will be implemented on a **pot-follows-member** basis meaning that employees will benefit from owning one single Auto Enrolled pension pot across their working lives.
- 4 separate investment funds will be setup to administer the AE pension schemes. 1 well-balanced default fund plus 3 other options carrying different levels of risk.
- The scheme will be phased in over 10 years with contribution rates increasing every 3 years

Automatic Enrolment – Pension Retirement Savings System

Costs:

	EE	ER	State
Years 1 – 3	1.5%	1.5%	0.5%
Years 4 – 6	3%	3%	1%
Years 7 – 9	4.5%	4.5%	1.5%
Year 10+	6%	6%	2%

Employer contributions and the State top-up will be capped at a maximum €80,000 of an employee's gross salary. Employees may contribute on earnings greater than €80,000 if they wish

Timelines:

	Period
Establish CPA on administrative basis within Department of Social Protection	Q2-Q3 2022
Legislative Heads of Bill drafted and Government approval	Q3-Q4 2022
Legislation enacted	Q3 2023
CPA organisation established on statutorily independent basis	Q4 2023
Completed development/procurement of initial IT system/infrastructure	Q4 2023
Procurement of investment managers completed	Q4 2023
Commencement of automatic enrolments	Q1 2024

Questions?

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