Commission on Taxation & Welfare
An Coimisiún um Chánachas ⁊ Leas

Briefing Paper

Pay-Related Social Insurance – rates and base options

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For [Information / Consideration / Decision]

Subject	**Pay-Related Social Insurance – rates and base options**
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Key points

- PRSI requires examination in the content of the need to increase net revenues over time, and its yield is affected by the threshold for entry, the base and the rates at which it is charged.
- PRSI is nominally imposed on both employees and employers although the real incidence will depend, in the medium-term, on the supply and demand for types of labour and skills
- There are significant variations in how PRSI is applied to different forms of income
- Exemptions apply to income, and how PRSI is applied, relating to the income source, the legal form under which the activity is carried out, the age of the person and the level of income.
- Pension income, social welfare payments and share-based remuneration are examples of income that have either employer or employee PRSI exemptions (or both).
- The Commission on Pensions and Tax Strategy Group have proposed possible avenues to increase PRSI revenue through a range of measures.

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1. Introduction

Meeting 10 outlined Ireland's social insurance system, noting its place alongside a mix of targeted income support and universal payments and the principles that underpin social insurance: the contributory principle and the solidarity principle (Meeting 10: Social insurance – design questions, operation, financing and sustainability).

That discussion noted the trend over time, which has been to widen social insurance coverage and to increase benefits in scope and number. It also noted the proportion of total taxation that social insurance makes up. Compared to other countries, this proportion is low, which has consequences for total revenue as well as for the tax wedge that influences labour supply (discussed at meeting 4).

This paper will consider the function of PRSI as a charge, using the lens of the principles of taxation outlined in meeting 2 ('Economic Principles and fundamentals of a tax system'), which acknowledge the brake on economic activity any tax represents (by discouraging transactions that would have occurred in the absence of the tax). The objective, therefore, is to balance taxes and charges that limit distortions to economic choices with desired levels of redistribution.

PRSI is also a significant tax head, and requires examination in the content of the need to increase net revenues over time.

As well as drawing on discussions framed by previous papers, this paper ties in with a number of ongoing considerations, particularly about how members conceive of Ireland's 'exempt-exempt-tax' treatment of pensions, and the extent to which pension contributions, as deferred income, should be treated differently. This will be informed by a separate paper also discussed at this meeting (An introduction to Pension Tax Expenditure). The argument for Pay Related Benefit will also be addressed in a related paper.

2. Definitions of income and the PRSI base

2.1 Income for PRSI purposes

Previous discussions on 'High-Level Design Imperatives' (Meeting 8) outlined the Haig-Simons definition of income, a comprehensive definition of income which was endorsed by the 1982-86 Commission on Taxation. The Haig-Simons definition is broad, suggesting that income connotes the exercise of control over scarce resources and therefore defines income as equal to total consumption during a year plus any increases in capital (after accounting for inflation). A comprehensive definition of income on these lines includes real accrued capital gains (even if not realised), gifts and inheritances, imputed rent, lottery winnings and all other receipts. The implications of this approach are that income from different sources, such as rents, interest or earnings should, as far as possible, be treated in the same way, contributing to a more neutral tax system where decisions regarding how to generate monies are made on their economic merit and not the tax implications of that choice.

By any definition, Haig-Simons or otherwise, there are significant variations in how PRSI is applied to different forms of income.[1] Reflecting its historical origins, PRSI is calculated on the employee's reckonable pay. Reckonable pay is the gross money pay plus notional pay, or benefit in kind, if applicable. It is typically associated with 'emoluments' – in other words, pay from an office or employment, as distinct from passive/unearned income or payment from a capital asset disposal. Table 1, below, outlines various categories to which either employer PRSI or employee PRSI, or both, could apply and whether it applies at present. It outlines some of the exemptions that apply to income relating to activity carried out under the employer-employee relationship or self-employment (see related paper on the Taxation of labour under different legal forms, Meeting 12).[2]

Unearned income, on which employed contributors and occupational pensioners, under 66 years of age, are liable to PRSI, at a rate of 4 per cent under Class K does not feature in the table.[3] Similarly, other unearned income may have an exemption from PRSI, such as rental income below the exemption limit which is exempt from PRSI under Rent-a-Room Relief.

[1] The income liable to income tax, USC and PRSI will also differ due to different reliefs or deductions permitted. This will be further examined in a paper considering the taxation of employment income.

[2] Previous papers have outlined the relationship between PRSI contributions and benefits received, the small portion of PRSI allocated to the National Training Fund, and Exchequer subventions in the case of a deficit. See An Outline of the Irish Social Protection System, Meeting 2, and Social insurance – design questions, operation, financing and sustainability, Meeting 10.

[3] This was introduced in 2014 at a threshold of €3,174 (now €5,200) at a rate of 4 per cent, with PRSI paid on unearned income from rents, investments, dividends and interest on deposits and savings unless DIRT has been paid.

Table 1: Scope of the PRSI charge

Category	Is employer PRSI due?	Is employee PRSI due?
Population level exemptions		
• People aged under 16 years and over 66 years	✗*	✗
Income assigned to pensions (e.g. occupational pension schemes, Personal Retirement Savings Account, Revenue approved retirement funds – once within Revenue limits):		
• Employee contribution to schemes	✓	✓
• Employer contribution to schemes	✗	✗
• The Additional Superannuation Contribution portion of civil and public servants' salaries (the Pension Levy).	✗	✓
Employees and self-employed		
• Employees** with reckonable earnings under €352 in a week	✓	✗
• Class S (sole traders, those self-employed on a partnership basis and certain company directors)	✗	✓
• Self-employed people with a total income of less than €5,000	✗	✗
• Self-employed sole trader employs, or is assisted by family members***	✗	✗
Other remuneration		
• Share-based remuneration	✗	✓
• Key Employee Engagement Programme (KEEP)	✗	✗
• *Ex gratia* termination payments****	✗	✗
• Pension income drawn down at retirement	✗	✗
• Monies drawn down from Revenue approved retirement funds*****	✗	✓
• Exempt benefits in kind (company cars, travel passes)******	✗	✗

Source: Social Welfare Rates of Payment
Note: Employee PRSI refers to the 4% rate that applies to Class A and Class S

** A 0.5% employer contribution applies where employees are over age 66; certain public office holders over age 66 make a contribution to the social insurance fund*
*** Employees covered under Classes A, B, C, D and H*
****For more on prescribed relatives, employment on a farm, as apprentices, and the spouses and civil partners of self-employed sole traders, see gov.ie*
***** Ex gratia termination payments not subject to PRSI even where subject to income tax (i.e. the lump sum is greater than €200,000).*
****** Monies drawn down from Revenue approved retirement funds are subject to Class S*
******* Exempt BIK can be paid without deduction –it can be employment-related expenses but can also form part of remuneration packages and is part of this table under a comprehensive definition of income*

2.2 Incidence

The obligation to deduct and remit PRSI generally rests with the employer, with a deduction from taxable profits for the gross salary paid as well as the employer PRSI charge. PRSI payable is deducted by the employer through payroll along with other PRSI liabilities and remitted to the Collector-General. A crucial issue with respect to PRSI, as with all taxes, however, is that of tax incidence. To quote Atkinson and Stiglitz:

'One of the most valuable insights that economic analysis has provided in public finance is that the person who effectively pays a tax is not necessarily the person upon whom the tax is levied.' [4]

In the words of the 1982-86 Commission on Taxation:

'Taxes are paid initially by individual households or firms and their reaction sets in motion forces which determine the final incidence of the tax. Adjustments to a tax will case factor (e.g. labour) and product prices to change and these changes will determine the distribution of the burden among Households. Thus the distribution of the real burden of tax may be different from the nominal burden imposed by legislation.' [5]

This issue is particularly relevant in the case of PRSI since the tax is nominally imposed on both employees and employers. Where the real incidence rests will depend, in the medium-term on the supply and demand for types of labour and skills. If either employee or employer PRSI were to increase, the incidence will vary over time, and across different segments of the labour market.

3. Factors affecting how much PRSI is paid

Beyond the set of benefits that social insurance system provides, the design choices and the policy objectives in the social insurance charge can be reflected in the parameters as follows:

[4] See: Atkinson and Stiglitz (1980). 'Lectures in Public Economics'. Princeton University Press
[5] See: 1982 Commission on Taxation, First Report.

- the threshold at which people make social insurance contributions,
- the PRSI base
  - the sources of income that are either in scope or exempt and
  - the categories of people who pay, and
- the rates at which PRSI is charged
  - the rate at which PRSI applies across different legal forms under which economic activity takes place, and
  - the rate that applies at different income levels

This next sections outline how each of these aspects can be adjusted and how these changes correspond to the analytical framework (partially) developed to date.

3.1 Threshold for entry to social insurance

Meeting 10 outlined the expansion across categories of workers, the introduction of new benefits, and expanded coverage as thresholds decrease in real terms. The entry threshold for access to social insurance coverage for dependent employees is €38 weekly (equivalent to €1,976 annually), which confers access to the full range of long and short-term social insurance benefits at a value unchanged since 1994 (in nominal terms). This is compatible with the objective of ensuring social insurance is as comprehensive as possible. In other words, contributions are required from as broad a category of workers and employers as possible and, in turn, the benefit coverage applies to as much of the population as possible, thereby reducing the number of people who rely on social assistance.

This has a consequential impact on the complexity related to means testing and the unemployment and poverty traps this can create. While a low threshold ensures benefits are available to those who take up part-time work, and creates an additional incentive to do so, the current threshold is less than four hours per week at the national minimum wage for access to all social insurance benefits. Previous discussions among Commission members on social insurance noted how low this threshold is, requiring only a minor attachment to the labour force in return for a range of benefits. Furthermore, the contribution is charged only on the employer, with no employee contribution (incidence is noted in the preceding section).

3.2 Age-related exemption

The most absolute restriction on the PRSI base is age. Those under 16 years and those aged 66 and over do not pay PRSI. At one stage perhaps, this reflected a traditional working career. However, three aspects have changed in recent decades:

- More women have taken up employment – some of whom have part-time, job sharing or otherwise reduced employment hours – or stopped making PRSI contributions – over a number of years. The age-specific employment rate increased from 36.2 per cent in 1989 to 72.2 per cent in 2020 for women aged 25 to 54 years. (For more, see Table 4 in the appendix).
- Labour market entry typically happens later now than it did over previous decades, due to completion rates for pupils at second level education, and the increased number of third level graduates.
- Employment of older people has increased substantially – this is reflected both in the absolute increase as the labour force grew and when scaled by the population in the age group. The age-specific employment rates increased from 12.5 per cent in 1989 to 18.2 per cent in 2020 for those aged 65 to 74 years. (For more, see Table 5 in the appendix)

The trend of more people working later in life is reflected in gross incomes. Across the distribution of taxable income (which does not include any untaxed benefits) taxpayers' gross incomes increase at 66 years of age, corresponding to the current age of eligibility for the State pension and many private pensions. This increase in income at 66 is sustained for a number of years for incomes below the 25th percentile, which indicates people continue working, or otherwise have a separate source of income, for a number of years while in receipt of a pension. [6]

Given the SIF income projections outlined in previous papers, PRSI charges are more likely to increase than decrease and the current age exemption means any increase is borne only by those under 66 years. The argument for PRSI to be paid by those outside that age range is primarily one of equity – changes to the income tax and USC rate will affect all liable to those taxes whereas changes to PRSI have a particular characteristic of affecting only those from 16 years to 66 years.

Of course, considering the removal or adjustment of the age-based exemption, and accordingly the extension of PRSI to those aged 66 and over, should be informed by the impact of such a move on household incomes and, consequently, various measures of poverty. At present, the three main

[6] See Figure 4, particularly, of a Revenue Commissioners/OECD paper from 2018 entitled 'Income Dynamics & Mobility in Ireland: Evidence from Tax Records Microdata'.

poverty indicators – the at-risk-of-poverty rate, the basic deprivation rate and the consistent poverty rate – all show people 66 years and over at much lower risk than children or those of working age.

3.3 Income source exemptions

3.3.1 Share-based remuneration

As an alternative to giving cash payments, employers can remunerate their employees by giving them company shares, or an option to acquire shares, either for free or at a discounted price. Share-based remuneration, such as a share options or Restricted Stock Units (RSU), are subject to employee PRSI but not to employer PRSI. Of the components of gross pay reported to Revenue in 2019, share-based remuneration made up one third of non-base pay, approximately the same as lump sums (both taxable and non-taxable). Previous papers have noted that, while the practise of granting such remuneration is believed to be extensive, no data are available on the cost of the employer PRSI exemption for shares given to employees. A forthcoming paper will discuss share-based remuneration further.[7]

Share-based remuneration continues to be exempt from employer PRSI but subject to employee PRSI. An exception to this general application of employee PRSI on share-based remuneration is the Key Employee Engagement Programme (KEEP), introduced in 2018, and aimed at unquoted SMEs who grant share options to their employees and directors. Those who exercise options under KEEP are exempt from income tax on any gain arising and, unlike most other tax incentives, there is also an exemption from USC and employee PRSI.

Whether the exemptions attain their stated policy objective of increasing competitiveness and helping companies to attract and retain staff is unclear as there has been, to date, no analysis attributing a causal link between the programme and the policy objective. From a vertical equity perspective, the payment of PRSI by employers of those on very low pay is somewhat irreconcilable with a PRSI exemption for those at (presumably) much higher levels of pay. The horizontal equity approach would, similarly, note the inequity in PRSI contributions between people who are in receipt of the same income but channelled through shares rather than cash payment.[8]

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[7] 'Supporting SMEs and Entrepreneurs – Tax Policy Objectives', Meeting 8. Statistics on gross pay components from Statistics and Insights from the First Year of RealTime Payroll Reporting (PAYE Modernisation).

[8] Horizontal equity: this concerns the idea that two persons of similar income should pay the same portion of that income in taxes.

3.3.2 Social welfare payments

The cash value of social welfare benefits are outside the scope of the PRSI charge. The personal rate of primary social welfare benefits is generally below the weekly threshold for the employee charge to PRSI (€352 per week). However, this may not be the case where other increases are added to the personal rate. At first glance, two people with the same income (one earning the same amount in earnings from employment), with differing liability to PRSI raises the question of horizontal equity.

However, there may be valid policy reasons for this distinction. The level of benefits is set to take account of any taxes currently charged – levying a PRSI charge would require a widespread reconsideration of the adequacy of a given rate of payment in delivering income support and alleviating the risk of poverty. In addition to the personal rate of social welfare payments, recipients may receive increases in respect of adult and child dependents, depending on their household composition. This is an important feature of payments as it ties the level of income support to household composition. In particular, the increases paid in respect of qualified children are primary policy levers available in respect of child income policy and have an important role to play in addressing child poverty.

PRSI is payable on any employment income a person may earn in conjunction with their social welfare benefit, subject to the scheme rules. It is also worth noting the calculation for in-work benefits, specifically the Working Family Payment, is on a net income basis (i.e. after PRSI has been paid). The recipients of in-work benefits are already employees subject to PRSI. The interaction between the PRSI charge on earnings from employment and the PRSI credit is outlined in a previous paper.[9]

Furthermore, within the range of social welfare benefits, many of the social assistance benefits are means-tested, where consideration has been given to the household composition and the financial resources available within the household (such as savings or the income of a spouse). Additional taxation may erode the adequacy of some benefits where need has been not only identified but the payment calibrated to respond to the characteristics of the household.

Extension of a PRSI liability to social welfare payments would mean the liability would be extended to those with dependants – thus eroding the adequacy and purpose of these increases. Overall, the value of the income support going into household would be reduced, exacerbating challenges already being faced by low-income households.

In summary, the argument for applying PRSI to social welfare payments brings out the tension between the horizontal and vertical equity. Where the same income arises through different

[9] Encouraging Employment, Meeting 4. See also forthcoming paper on the taxation of employment income.

sources, horizontal equity suggests both should be treated identically; where the payment is means-tested, the principle of vertical equity suggests the process of means testing has already identified a need that should be differentiated.

3.3.3 Pension income and lump sums

The treatment of employee and employer pension contributions in respect of employee PRSI and employer PRSI is outlined in a related paper (An introduction to Pension Tax Expenditure – see also Table 1 above). The consideration of PRSI treatment of pension income, and any income of people over 66 years, will be informed by the Commission's views on how to treat income at pension age and contributions made during working life and on the policy rationale for a distinct approach to taxation of savings with the objective of better pension coverage at adequate levels.

3.4 Altering PRSI rates

3.4.1 Differences between PRSI classes

Meeting 10 outlined the long-term policy objective of expanding social insurance, particularly the expansion in benefits to self-employed people (Class S contributors) in recent years. This amounts to approximately 93 per cent, by value, of all benefits paid by the SIF, while the rates applicable to economic activity under the two legal forms differs considerably.[10] The matter was further discussed in Meeting 12, 'Taxation of labour under different legal forms'. There was consensus among members of the Commission on Taxation and Welfare, at the meeting of 03 December 2021, to increase the contribution of the Class S contributors (including proprietary directors) to reduce the variation in the tax wedge for comparable activity that could be channelled through one of two legal forms.[11]

3.4.2 Rate structure

The distributional impact of the PRSI charge is perhaps best considered in combination with income tax and USC. At present, earnings under €352 per week are exempt from the employee charge. This exemption, in turn, creates a step effect once the €352 weekly earnings threshold is exceeded as the flat 4% rate of PRSI is applied to all the earnings. The regressive nature of the step effect creates a

[10] See Tax Strategy Group paper, 'Pay Related Social Insurance for Self-Employed Workers') and Table 5 in the appendix.
[11] See 'Taxation of labour under different legal forms (employed/self-employed/owner managed companies)', Meeting 12.

disincentive to increased earnings for those at or around these income levels, which may include hourly paid minimum wage workers.

To address this, as noted previously, a PRSI credit was introduced in 2016 to reduce the amount of PRSI payable by people earning between €352.01 and €424 per week. The credit is tapered and the amount of the credit depends on the individual's weekly earnings. Upon earning €352.01 per week, the maximum PRSI credit of €12 applies, with the PRSI charge decreasing from €14.08 to €2.08. The net effect of the credit is to reduce or minimise the step effect of the increased weekly earnings, but comes with a trade-off of increased complexity.

An alternative adjustment to the rate structure is to introduce a multiple rate structure, such as used for USC, and lower the threshold for liability. This gives greater flexibility to more precisely target policy changes as well as broadening the base. It satisfies the vertical equity principle by stratifying liability to the charge in accordance with levels of earnings.

4. Potential yield from reform measures

In its report, the Commission on Pensions recommended a number of base-widening measures, which will reduce the burden on current PRSI contributors, will reduce the required effective tax on labour income (with its attendant negative labour market efficiency effects) and will enhance intergenerational equity. These measures include maintaining the exemption from PRSI on all social welfare payments; removing the PRSI exemption for all those aged 66 and over; and that all those over State pension age should pay PRSI on a solidarity basis (Class K, which means there is no additional entitlement to benefits) on all income currently subject to PRSI.

4.1 Commission on Pensions estimates

The Commission on Pensions recommended that Class S PRSI for all self-employed income is gradually increased from 4 per cent to 10 per cent by 2030 in the first instance; and in the medium term to align with the higher rate of Class A employer PRSI (currently 11.05 per cent, but proposed to move to 12.4 per cent by 2040; and 12.5 per cent by 2050). The Commission on Pensions noted the distributional impact assessment finds that increasing Class S PRSI would have a progressive effect, whereby those in lower income quintiles would be less affected than those in higher income quintiles.

The Commission on Pensions also notes the need to increase Class A PRSI for employees and employers. To this end, it recommends a package which will not require PRSI rate increases for employers and employees until after 2030 and a 1.35 percentage point increase in Class A for both employers and employees by 2040 (see Table 2 below).

The Commission on Pensions estimates that extending PRSI to apply to all income (including supplementary pension income and excluding State Pensions) for those aged 66 and over would yield approximately €50 million at the outset at a 1 per cent rate. This is described as a tentative figure and it is not possible to disaggregate pension lump sum payments, on which it does not propose PRSI be payable.[12] A summary of the recommendations of the Commission on Pensions is included in the Appendix.

Table 2: Package 4: PRSI rates (% of reckonable earnings)

Class	2021	2030	2040	2050	2070
Class A Percentage point increase	-	0.0	1.35	0.1	0
Employee	4	4	5.35	5.45	5.45
Employer rate (lower)	8.8	8.8	10.15	10.25	10.25
Employer rate (higher)	11.05	11.05	12.4	12.5	12.5
Combined employee and employer higher	15.05	15.05	17.75	17.95	17.95

Source: Report of the Commission on Pensions, Table 5.3: Reform packages to address fiscal sustainability
Note: State pension age increase and Exchequer contributions related to this measure not shown in this table

4.2 Tax Strategy Group estimates

The Tax Strategy Group, which considers a range of options during the budgetary process, also stressed the need to increase social insurance revenue through Class S PRSI. Papers published before the Report of the Commission on Pensions proposed that starting in 2023, the rate of Class S PRSI would increase gradually to 12.55 per cent by the end of 2028, equal to a new standard rate of employer social insurance (proposed to be 12.55 per cent). Table 3 sets out the Tax Strategy Group's estimated full-year Class S yield is, under its proposed increases.

[12] The report of the Commission on Pensions notes the estimate does not include the yield from supplementary pension income received by people under age 66.

Table 3: Yields from Self-Employed Workers Class S Social Insurance Contribution Rate Increases

Rate	Full Year Yield (€ million)
Current Rate 4%	536
Increase to 5.5% from January 2023	727
Increase to 7.0% from January 2024	922
Increase to 8.5% from January 2025	1,118
Increase to 10.0% from January 2026	1,314
Increase to 11.5% from January 2027	1,511
Increase to 12.55% from January 2028	1,649

Source: Tax Strategy Group: Pay Related Social Insurance Rate Setting Options, September 2021

4.3 ESRI estimates

Estimates of the increased revenue from a single percentage point increase in the employee contribution to Class A and Class S are approximately €700 million and €110 million respectively. The equivalent increase in the employer contribution (which applies only to Class A) would raise approximately €850 million. The distributional impact of these increases to employee and self-employed PRSI are both broadly progressive, raising more as a share of disposable income from those in higher deciles and less from those in lower deciles.[13] Under the current structure, the changes to PRSI as outlined above vary in impact on different age groups as the charge is not levied on the income of those aged 66 and over.

5. Conclusion

Following on from an initial discussion of social insurance within Ireland's taxation and welfare systems, the rationale behind it, and in light of the overall need to increase revenue, this paper progresses the discussion to some directions for change on the income side. It considers whether the definition of income is satisfactory, a matter that will be under consideration in discussions beyond this paper.

The paper also considers whether the various boundaries within which PRSI operates (age, income levels, forms of income) continue to be valid and whether they satisfactorily reflect what we expect

[13] See Kakoulidou and Roantree (2021)

of the social insurance charge for the decades to come. Further consideration is given to how expansion of PRSI aligns with the principles discussed by the Commission at earlier meetings.

Questions for consideration:

- With the Commission having already reached consensus on aligning the PRSI paid in respect of employment and self-employment, how should this be achieved?
- Do members agree the age-related exemptions remain valid today, in light of changes over the past half century, and will remain valid into the coming decades?
- Which PRSI exemptions should be considered for removal?
- Should the structure of the charge be adjusted to apply at a lower weekly amount than €352 (assuming a lower rate than 4 per cent at this point)?

Appendix

Table 4 below shows the significant increase in employment rates for women aged 25 to 54 years between 1989 and 2019. Similarly, Table 5 shows the increased employment rates among those aged 65 to 74 years.

Table 4: Employment rates (%) of prime working age women in Ireland, selected years, 1989-2019

Age class	1989	1999	2009	2019
25-54 years old	36.2	59.8	66.5	73.6

Source: Eurostat: Employment rates by sex, age and educational attainment level (LFSA_ERGAED)

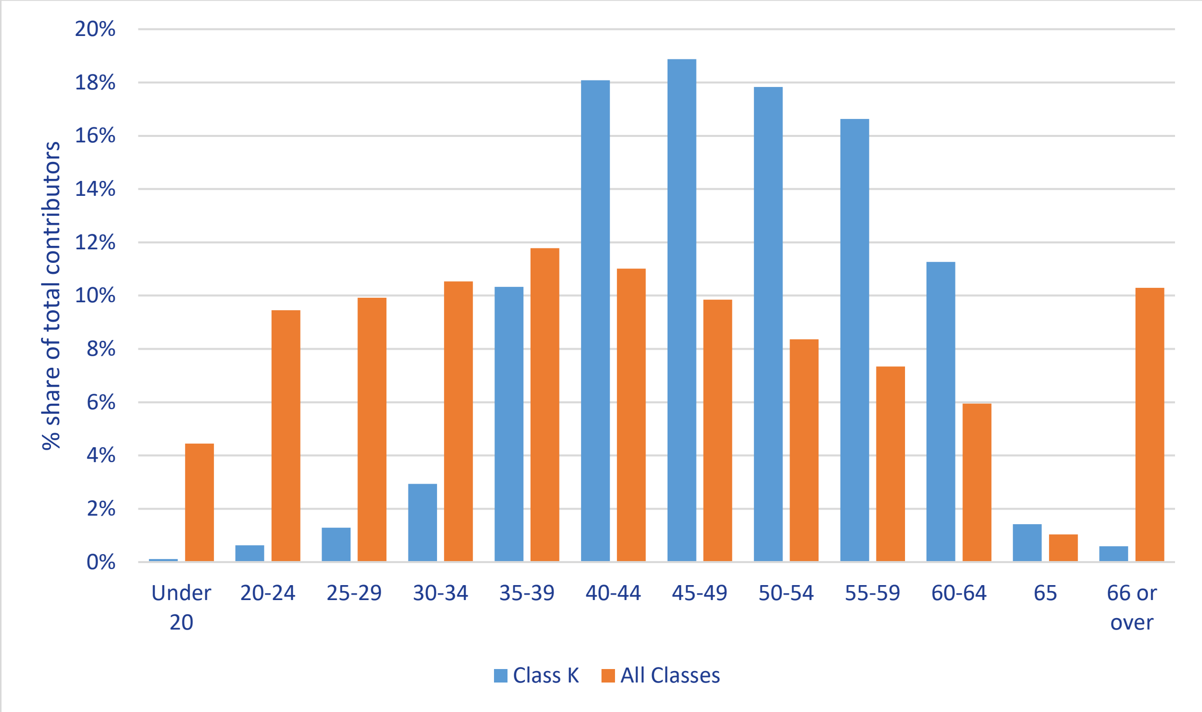
Table 5: Employment rates (%) of people aged 65-74 years, selected years, 1989-2019

Age class	1989	1999	2009	2019
65-74 years old	12.5	11.4	13.4	17.9

Source: Eurostat: Employment rates by sex, age and educational attainment level (LFSA_ERGAED)

Figure 1 shows the age distribution of Class K PRSI contributors in 2019 relative to contributors across all Classes. This distribution shows that in general, PRSI contributions are distributed widely across all age groups, reflecting a wide tax base across all classes of PRSI. Class K, however, is heavily concentrated on those aged 40-59.

Figure 1: Distribution of PRSI contributors in 2019, by age and PRSI class (Class K compared to all)



Source: Department of Social Protection administrative data

Recommendations of the Commission on Pensions

The Commission on Pensions recommends increasing the self-employed PRSI contribution rate. In the first instance, the recommendation is that Class S PRSI for all self-employed income is gradually increased from 4 per cent to 10 per cent. In the medium term, the Class S PRSI rate should be set at the higher rate of Class A employer PRSI (currently 11.05 per cent).

- Increase the Class A rate of PRSI for both employers and employees.
    - The level of increases required depend on the package that the Government may choose to implement (if any). The Commission on Pensions recommends Package 4 (see tables below), which will not require PRSI rate increases for employers and employees until after 2030. It will require a 1.35 percentage point increase in Class A for both employers and employees by 2040.
- The Commission on Pensions considered a range of PRSI base broadening measures.
    - Broadening the base will reduce the burden on current PRSI contributors, will reduce the required effective tax on labour income (with its attendant negative labour market efficiency effects) and will enhance intergenerational equity.

- The Commission on Pensions recommends maintaining the exemption from PRSI on all social welfare payments.
- Other than social welfare payments, the Commission on Pensions recommends removing the exemption from PRSI for those aged 66 or over.
    - The Commission on Pensions recommends that all those over State pension age should pay PRSI on a solidarity basis (Class K) on all income currently subject to PRSI.
- The Commission on Pensions recommends removing the exemption to pay PRSI on supplementary pension income (occupational and personal pensions, and public sector pensions).