Changes to Medical Insurance Relief for

- **Policies Renewed or Entered into on or after 16 October 2013, and**
- **Policies Renewed or Entered into on or after 1 May 2015**

Information for Employees

Introduction
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.

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.

Prior to 16 October 2013, 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*, where the policy is renewed or entered into on or before 30 April 2015, the lesser of the premium paid in respect of that child, or €500. (See also the following paragraph regarding policies renewed or entered into on or after 1 May 2015).

  *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 premium is paid.

- **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.

Tax Relief at Source (TRS)
For the majority of individuals tax relief for medical insurance paid to an authorised insurer is granted at source through the Tax Relief at Source (TRS) system. Under this system subscribers pay a reduced premium to the authorised medical insurer. This reduction is the same as giving tax relief at 20%. You don't need to have any further contact with Revenue as your medical insurance provider will implement the necessary changes to the amount of tax relief due.

Where TRS does not apply
There are some situations where the TRS system does not apply, for example where an employer pays the medical insurance premiums on behalf of an employee or his or her dependents, and in such circumstances it will be necessary for the employee to calculate the amount of relief that he or she is entitled to and to make a claim to his or her Revenue office.

Changes for Policies Renewed / Entered into on or after 16 October 2013
The remainder of this document sets out the changes to the tax relief and gives examples of how the relief is calculated and applied (a) where the individual pays the premium himself or herself and (b) where an employer pays the premiums directly to the medical insurer on the employee's and/or the employee's dependants' behalf.

Examples - TRS

The following examples illustrate the tax relief due in respect of a policy entered into or renewed prior to the 16 October 2013 and also the amount of tax relief due when the policy is entered into or renewed on or after 16 October 2013.

Example 1:
An individual pays the premium directly to the medical insurer – Policy entered into or renewed before 16 October 2013

Kevin, a single individual enters into a medical insurance policy on 1 January 2013. The notice issued by the insurance provider shows both the gross and net premium due:

Gross Premium	€2,500
Amount on which TRS is calculated: €2,500	
TRS (€2,500 x 20%)	€ 500
Reduced premium payable to authorised insurer	€2,000

No further claim is required to be made to Revenue.

Where the premiums are paid through salary deduction on a monthly basis, the employer will deduct €166.66 (€2,000/12) from the employee's net pay each month during 2013 and pay this over to the medical insurer.

Example 2:
An individual pays the premium directly to the medical insurer - Policy entered into or renewed on or after 16 October 2013

Kevin renews his medical insurance policy on 1 January 2014. For policies entered into or renewed on or after 16 October 2013, the maximum premium that qualifies for relief for each adult is €1,000. The notice issued by the insurance provider shows both the gross and net premium due:

Gross Premium	€2,500
Amount on which TRS is calculated: €1,000	
TRS (€1,000 x 20%)	€ 200
Reduced premium payable to authorised insurer	€2,300

No further claim is required to be made to Revenue.

Where the premiums are paid through salary deduction on a monthly basis, the employer will deduct €191.66 (€2,300/12) from the employee's net pay each month during 2014 and pay this over to the medical insurer.

Medical Insurance Premiums paid by Employer
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. In these circumstances the employee has not benefited from the TRS arising on the medical insurance premium paid by the employer and he or she is entitled to tax relief in his or her tax credit certificate (TCC).

The following examples illustrate how tax relief is applied where medical insurance premiums are paid by employers and how to calculate the tax relief due for 2014.

Example 3:

Employer pays Full Premium of Policy – Policy entered into or renewed before 16 October 2013

Brian is a single individual whose medical insurance premiums are paid in full by his employer. He renews his policy on 1 January 2013, say for a gross premium of €2,500.

As the policy was renewed before 16 October 2013, tax relief of 20% applies to the full premium for the period covered by the renewal - 1 January 2013 to 31 December 2013.

The tax relief, therefore, due for 2013 is calculated as follows: €2,500 x 20% = €500
As Brian has not benefited from the TRS arising on the premium paid by his employer, he is entitled to a tax credit of €500 in his 2013 TCC.

Example 4:

Employer pays Full Premium of Policy – Policy entered into or renewed on or after 16 October 2013

Brian renews his policy on 1 January 2014 for again, say, €2,500 gross premium. A limit of €1,000 (for adults) applies to the relievable amount of medical insurance premiums for policies which are renewed or entered into on or after 16 October 2013.

The tax relief due for 2014 is calculated as follows: €1,000 x 20% = €200

As Brian has not benefited from the TRS arising on the premium paid by his employer, he is entitled to a tax credit of €200 in his 2014 TCC.

Example 5:

Employer pays Full Premium of Policy – Policy renewed in 2014

Where an existing policy falls for renewal in 2014, a mixture of the old relief and the new relief may be due.

Amy's policy falls for renewal on 1 July 2014. Her employer pays for a policy covering Amy and one child. Amy is entitled to the old tax relief until the policy is renewed and the new relief following renewal.

Amy's gross premium for 1 July 2013 to 30 June 2014 is €2,500 and the same amount for the following year. The premium is broken down to €1,800 for Amy and €700 for the child.

The tax relief due for 2014 is calculated as follows:

Period	Relief	Amount due €
1 January – 30 June 2014	(€2,500/12) x 6 months x 20%	250
1 July – 31 December 2014	(€1,000 + €500*)/12 x 6 months x 20%	150
Total due for 2014		**400**

As Amy has not benefited from the TRS arising on the premium paid by her employer, she is entitled to a tax credit of €400 in her 2014 TCC.

*Notes:

- Where the premium in respect of a child is below €500 the tax relief is limited to that amount. In the above example, if the premium in respect of the child was €400, the tax relief for the period 1 July – 31 December 2014 would be: (€1,000 + €400)/12 x 6 months x 20% = €140

- 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, even though they are availing of a reduced premium rate below the full adult price

Employer pays a portion of the Premium of the Policy
Where the employer pays a portion of the premium the tax relief is applied on a pro-rata basis.

For example, if Amy's employer paid 75% of the premium the €400 tax relief due for 2014 would be given as follows:

Tax Relief		Amount due €
Given at source through TRS	€400 x 25%	100
Given in 2014 TCC	€400 x 75%	300
Total		**400**

April 2016

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs