

Vhi Benefit-in-Kind Guide





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Medical Insurance Premiums Paid by an Employer

Under Irish tax legislation a benefit-in-kind charge will generally arise where a personal expense is paid for an employee and/or their dependants by their employer.

Income tax, PRSI and USC must be deducted by the employer through payroll on the taxable value of any benefits-in-kind and returned to the Collector General.

Where an employer pays a medical insurer directly on behalf of employees, the taxable value on which an employer is liable to operate these taxes on is the gross premium value of the policy.



Tax Relief on Medical Insurance Premiums

Tax relief is available in respect of medical insurance premiums paid in a tax year. This relief is capped to a maximum tax relief of the lesser of €200 or 20% of the gross premium for adults and €100 or 20% of the gross premium for children. For the purposes of this relief, a child is any individual under 21 years of age.

Where an employer pays premium directly to the medical insurer, tax relief is not granted at source by the medical insurer. The individual is entitled to a tax credit (equal to 20% of the gross premium subject to the aforementioned relevant ceiling) in respect of the premium paid by their employer.

It is the individual employee's personal responsibility to claim this relief. Employees should check their tax credit certificates online via Irish Revenue's myAccount facility or directly with your local Revenue district to ensure you are claiming relief. Alternatively they may claim this relief via completion of a personal year-end tax return. PAYE Modernisation, which came into effect on 1 January 2019, will not impact this.



How is the Tax Liability on this Employee Benefit Calculated?

Employers are liable to pay employer PRSI on the gross premium value of the policy at a rate of 11.15% until 30 September 2025 and then it will increase to 11.25% from 1 October 2025.



Employees are liable to the following on the gross value of the premium of the policy as calculated and operated by their employer:

- **PRSI** up to a rate of 4.1% up to 30 September 2025 and then it will increase to 4.2% from 1 October 2025 (you and your employer should determine your applicable PRSI rates). 4.1% is used in the example below.
- **PAYE** calculated in accordance with an employee's marginal rate of tax, either 20% standard rate tax or 40% for those on the higher rate of tax.
- **USC** ranging from 0.5% to 8% depending on salary range. 3% USC applies to salaries ranging between €27,382 and €70,044 from 1 January 2025. This rate has been used in the example set out below.

Questions & Answers

If the premiums are paid fully by employees, is there a change to your tax liability?

Income tax, PRSI and USC are only calculated against employee benefits provided by the employer. Therefore, employees paying their own premiums will have no tax liability.

Will employees get tax relief if premiums are paid fully by employees?

Tax relief is granted at source for medical insurance premiums paid directly to an authorised insurer by an individual. Under this system subscribers pay a reduced premium to the medical insurer. You don't need to have any further contact with Revenue as your medical insurance provider will implement the necessary amount of tax relief due to the premium paid.

For further information log onto [revenue.ie](https://www.revenue.ie) or call your local Revenue District.



Benefit-in-Kind (BIK)

An Illustration



Benefit-in-Kind (BIK) An Illustration		Example 1	Example 2	Example 3
Private medical insurance gross premium (example only)		€900	€1,000	€1,500
Less total TRS ¹	20%	-€180	-€200	-€200
Total PMI after relief claimed		€720	€800	€1,300
Cost to the Employer				
Employer PRSI at 11.15% ³ payable to Revenue	11.15%	€100	€112	€167
Cost to Employee (on standard rate of tax)				
Employee PAYE at 20% ² payable to Revenue	20%	€180	€200	€300
Employee PRSI at 4.1% ³ payable to Revenue	4.1%	€37	€41	€62
Employee USC at 3% ⁴ payable to Revenue	3%	€27	€30	€45
Less medical insurance tax credit ⁵		-€180	-€200	-€200
Total cost of the benefit provided (Gross Subsidy)⁶		€64	€71	€207
Cost to Employee (on higher rate of tax)				
Employee PAYE at 40% ² payable to Revenue	40%	€360	€400	€600
Employee PRSI at 4.1% ³ payable to Revenue	4.1%	€37	€41	€62
Employee USC at 3% ⁴ payable to Revenue	3%	€27	€30	€45
Less medical insurance tax credit ⁵		-€180	-€200	-€200
Total cost of the benefit provided (Gross Subsidy)⁶		€244	€271	€507

Note:

1. TRS - tax relief at source is granted by Revenue at the lower rate of 20% of the Gross Premium, capped at €200.
2. Standard tax rate is 20% and Higher tax rate is 40%.
3. An employee and an employer should determine applicable PRSI rates. We have included the rate applicable until 30 September 2025 for the purposes of this example.
4. USC rates vary between 0.5%, 2%, 3% and 8% depending on the income level of an employee. Income between €27,382 and €70,044 is taxed at 3% when an individual does not hold a full medical card.
5. Medical insurance tax credit depends on the amount paid directly to the medical insurance provider (gross subsidy). It is calculated by apportioning the capped tax credit of €200 between the subsidised amount and the amount paid by an employee to the medical insurance provider directly, e.g. €200*500/1200. It is the individual's responsibility to ensure this relief is applied.
6. This information and illustration is designed purely as an indicative guide only. It does not take into account any personal reliefs/exemptions which may apply for an individual. Tax calculations can be complex so customers should seek specialised taxation advice from a tax adviser if there are any specific questions in relation to this area; Vhi do not provide personal tax advice.

The information contained herein is based on Vhi's understanding of current Revenue practice as at 19 November 2024 and may be subject to change in the future.



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