



shutterstock.com • 598502747



# The Pensions Commission and the Self Employed

Bridget Mc Nally (MU)  
Michael Hayden (MU)  
Anne Kinsella (Teagasc)

# What the Report says about the self employed;

- Paying low contribution rates for their current range of benefits (Advisory Group on Tax and Welfare 2013)
- 2016 DEASP survey found that 88% of self employed willing to pay additional PRSI for additional benefits

# What the report recommends

- Increase PRSI rates from 4% to 10% by 2030 then to higher Class A Employer rate
- Remove PRSI exemption for supplementary pension income

# Where are the gaps?

- Employees are covered for social insurance once they earn £38 per week; self-employed have no obligation to pay PRSI where annual income is under 5,000- results in self-employed with low incomes being under-insured.
- PRSI rules for the self-employed means that in some instances, partners, spouses and successors, working informally in the family business are not obligated to pay PRSI.

# Contributory State Pension

Some self-employed (e.g. many farmers) may have less than full contributions because they;

- Succeeded to farm after the age of 35 and worked on farm paying no contributions prior to then.
- Paid no PRSI in years where farming income less than €5,000
- Did not avail of the option to make voluntary contributions.

(Hayden et al. 2021)

# Contributory State Pension

- Many spouses of farmers who worked the farm informally may have limited pension entitlement.

# Contributory State Pension

- Historically the vast majority of farmers were not entitled to a full contributory pension. Irish Independent (2012)

# Means testing – for non contributory State Pension

Capital	Weekly means assessed
First €20,000	Nil
Next €10,000	€1 per €1,000
Next €10,000	€2 per €1,000
Balance	€4 per €1,000

In the case of a couple living together (married, civil partners or cohabiting) the means of each member of the couple is taken to be half of the total means of the couple.



- Income is imputed regardless of whether it actually arises or how much arises
- In the case of self-employed farmers -If successor is working the farm and paying tax on the output, income is still imputed as arising to retired farmer if legal title to the property is retained.
- Creates difficulties for asset rich but cash poor self-employed

- Riley (2014) – highlights lack of retirement income as a reason why farmers are often highly adverse to retirement.
- Pietola et al (2003) Study of Finnish Farmers' pension benefits – pension levels influence the decision to keep farming past retirement age.

# Where are the gaps?

- Self employed who do not qualify for State pension and work on past retirement age will be particularly disadvantaged by the removal of the PRSI exemption on income earned after aged 66

# Where are the gaps?

- Auto-enrolment currently not extended to the self- employed – basic social welfare entitlement crucial.

# Remedies?

- All self-employed, including successors in waiting and spouses working in the business, to pay PRSI (on income over £38 per week)
- Transitional provisions for self-employed currently in the system who will not meet the contributions requirement.