

17 Classification of workers for PRSI purposes

- 17.1** Pay Related Social Insurance (PRSI) contributions are payable in respect of persons aged from 16 up to the award of the State pension. PRSI contributions are paid into the statutory Social Insurance Fund (SIF), which funds a range of social insurance benefits and pensions. In 2024, over €18 billion was collected in PRSI receipts.¹
- 17.2** The PRSI contribution rates payable vary depending on the social insurance class into which a person falls (see Annex 17A). In general, the appropriate PRSI contribution class for earned income is determined by a person's employment status and the economic sector in which they work.
- 17.3** Workers categorised as employees contribute at a maximum rate of 4.1% of earnings. In contrast, their employers are liable to pay contributions at rates ranging from nil to 11.15%. Persons who are self-employed pay the equivalent of the employee contribution rate (4.1%) and — since there is no third-party employer — there is no linked employer contribution. There is therefore a potential substantial economic incentive to classify workers as self-employed, and incorrect worker classification is a key risk to the completeness of PRSI contribution receipts.
- 17.4** The correct classification of a person for PRSI purposes is also important because it potentially affects the social insurance benefits and/or pensions entitlements of workers (see Annex 17B).
- 17.5** The Department of Social Protection (the Department) has responsibility for the PRSI system and the formal determination of all social insurance matters. The Office of the Revenue Commissioners (Revenue) collects the vast majority of PRSI contributions due on behalf of the Department on a statutory basis and under an agency arrangement.^{2,3}
- 17.6** This report examines the processes the Department has put in place to address the risk of misclassification of employment status for individuals for PRSI purposes. The report considers
- the criteria engaged and their application by the Department for the determination of employment status
 - the extent of recorded self-employment in the State
 - compliance activity undertaken by the Department to detect cases of misclassification.
- 17.7** The examination team reviewed key documents and data produced by the Department and interviewed relevant members of Department staff. A sample of investigations from the Department's compliance activity in 2024 was examined to assess adherence with the Department's policy and procedures. The examination also obtained certain information from Revenue.

¹ PRSI receipts include the National Training Fund levy, which is collected through employer's PRSI contributions and remitted to the National Training Fund. See *Report on the Accounts of the Public Services 2024*, chapter 24, The collection and allocation of PRSI receipts.

² The Department pays Revenue an annual agency fee (€37 million) in relation to expenses incurred by Revenue in the collection of PRSI. The fee is a charge on the SIF.

³ The Department also collects some PRSI receipts directly. A total of €14 million (less than 0.1% of total PRSI receipts) was collected directly by the Department in 2024.

Criteria for the determination of employment status

17.8 The terms ‘employee’ and ‘self-employed’ are not defined under Irish or EU law.

17.9 Apart from the Department’s determination of employment status for PRSI classification purposes, the employment status of a worker may separately be determined for other purposes.

- Revenue may determine a worker’s employment status in the context of deciding their treatment for income tax purposes.
- The Workplace Relations Commission (WRC) may determine employment status when adjudicating on employment rights cases.

Code of practice

17.10 A joint *Code of Practice on Determining Employment Status* (the Code) has been developed by the Department, Revenue and the WRC to assist in cases where employment status has to be formally determined. A revised code was published in November 2024 following the 2023 judgment of the Supreme Court in what is generally referred to as the Karshan case.¹ This related to the employment status for tax purposes of pizza delivery drivers.

17.11 In 2022, the Department of Enterprise, Tourism and Employment established the Determination of Employment Status Working Group.² The purpose of the group was to give stakeholders an opportunity to engage on the issue of misclassification of employment and to discuss the potential to improve systems by which employment status can be determined. The work of the group concluded in April 2025 following the update of the Code and the publication of guidance issued by Revenue, which outlined the implications of the Karshan determination.

17.12 The Code sets out the criteria and guidance to be considered when determining if a worker is employed or self-employed, using a five-step framework outlined in the Karshan case (see Figure 17.1).³

17.13 The Department has stated that the Code is a living document and will be updated as necessary in respect of relevant developments (case law or legislation) in Ireland or in the EU.

17.14 Although the Code is a joint document of the Department, Revenue and the WRC, the decisions of the different organisations are not binding on each other. Each organisation operates within its own legislative framework. Therefore, a determination of employment status in one context does not necessarily confer the same employment status in another context.

17.15 There is no record of individual cases where different decisions are reached in the different contexts. The Department stated that cases between workers and employers, and the WRC, Revenue or the Department are confidential and specific to each organisation’s legislative framework.

17.16 However, there are certain types of roles where, by reason of specific legislation or the nature of the work or engagement, workers are classified differently for PRSI and income tax purposes (see Annex 17C).

¹ [Revenue Commissioners — v — Karshan \(Midlands\) Ltd T/A Domino's Pizza \[2023\] IESC 24.](#)

² The working group included representatives from the Department of Social Protection, Revenue, the WRC, trade unions and other employee representatives.

³ Since 2022, when the Code was available only in English, it has also been made available in Irish and in eight other languages: Latvian, Lithuanian, Polish, Portuguese, Romanian, Russian, Spanish and Ukrainian.

Figure 17.1 Framework for the determination of employment status

Step	Consideration
Wage or remuneration	Does the contract involve the exchange of wages or other remuneration for work?
Personal service	Is the agreement one where the worker is agreeing to provide their own services, and not those of a third party, to the business?
Control	Does the business exercise sufficient control over the worker to render the agreement one that is capable of being an employment agreement?
All the circumstance of employment	Are the terms of the arrangement between the business and the worker — interpreted in the light of the practical or real conditions of engagement — consistent with a contract of employment, or with some other form of contract?
The legislative context	Is there anything in the particular legislative regime under consideration that requires a particular approach to be taken?

Source: The Code of Practice on Determining Employment Status

European Union developments

17.17 The determination of employment status of workers is also being considered at a European level. In October 2024, a Directive of the European Parliament and of the Council on improving working conditions for those engaged in platform work was published.¹ Platform work is the matching of demand and supply of paid work through an online platform using an algorithm. Typical examples include food delivery and taxi services.

17.18 Under the EU Directive, member states must establish a legal presumption of employment, for employment rights purposes, for platform workers, which will be triggered when certain facts indicating control and direction are found. Those facts will be determined according to national law and collective agreements, while taking into account EU case-law.²

¹ [Directive of the European Parliament and of the Council, on improving working conditions in platform work.](#)

17.19 Persons working through digital platforms, their representatives, or national authorities may invoke this legal presumption and claim they are misclassified. It is up to the digital platform to prove that there is no employment relationship.

² While this presumption does not extend automatically to social insurance or tax classification, the Directive permits member states to separately provide for this presumption as a matter of national law.

17.20 Member states have two years from the date of the Directive to incorporate the provisions of the Directive into their national legislation (i.e. by October 2026). The Department has been notified by the Department of Enterprise, Tourism and Employment that a working group of stakeholders will be established to aid the transposition of the Directive.

1 The Labour Force Survey is a continuous nationwide survey of households in Ireland, primarily designed to produce quarterly labour force estimates that include the official measures of employment and unemployment in the State.

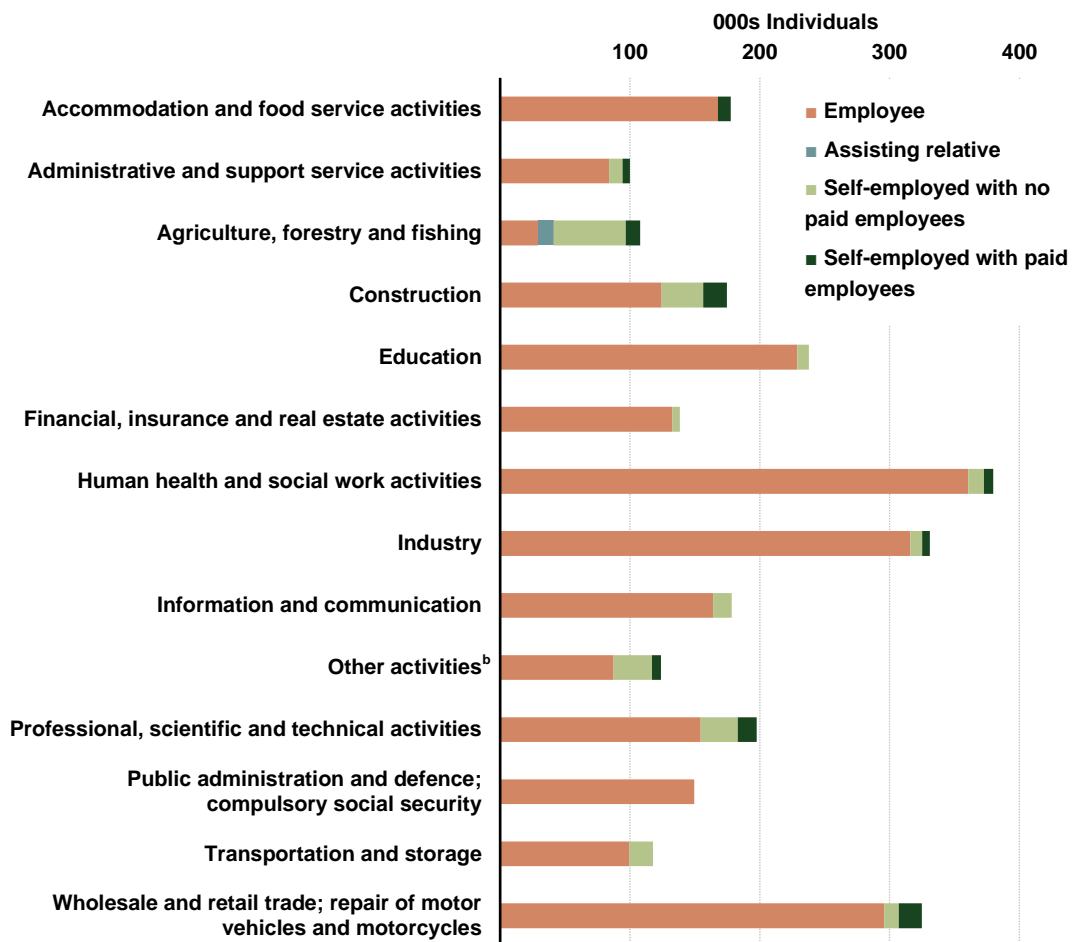
2 There are also individuals categorised as assisting a relative (0.4%).

What is the extent of recorded self-employment in the State?

17.21 The Central Statistics Office (CSO) provides regular estimates of the numbers in employment, and their employment status, based on quarterly labour force surveys.¹ At the end of 2024, the CSO estimated that over 2.74 million individuals were employed or self-employed in the Irish economy.

17.22 The CSO data indicate that around 2.4 million individuals (87% of workers) are employees, 236,000 (8.6%) workers are self-employed with no employees, and 97,000 (3.5%) are self-employed with paid employees (see Figure 17.2).²

Figure 17.2 Number of individuals working in the Irish economy, by sector, quarter 4 2024^a

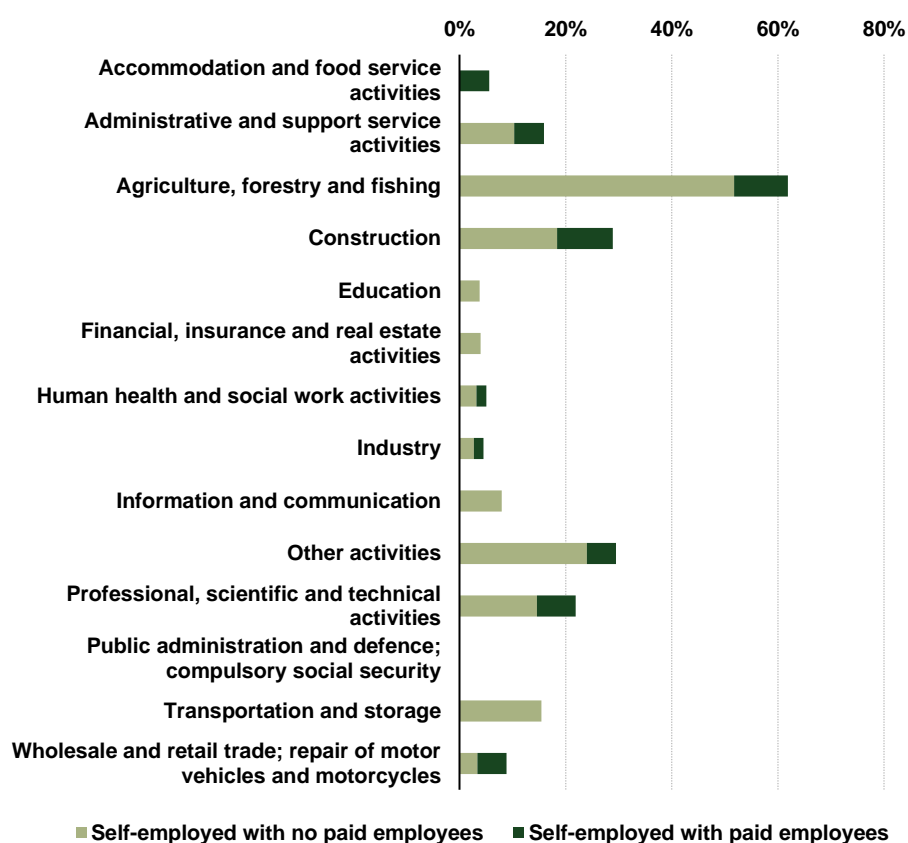


Source: Central Statistics Office. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Classification is by the Nomenclature générale des Activités économiques dans les Communautés Européennes (NACE) — structure, which is the statistical classification structure for economic activities in Europe. A revised version (NACE Revision 2.1) will be used from 2025.
 - b Other activities encompass the NACE codes R to U: Arts, entertainment and recreation, other service activities, activities of households as employers; undifferentiated goods and services, producing activities for own use and activities of extraterritorial organisations and bodies.

17.23 The proportion of self-employed workers is highest in agriculture, forestry and fishing (62%), but this has decreased from 71% in 2021. Other sectors with relatively high self-employment rates are construction (29%); professional, scientific and technical activities (22%); administrative and support service activities (16%) and transportation and storage (15%). The general 'other activities' category also has a relatively high proportion of self-employed individuals (29%), see Figure 17.3.

Figure 17.3 Self-employment rates (with and without employees), by sector, quarter 4 2024



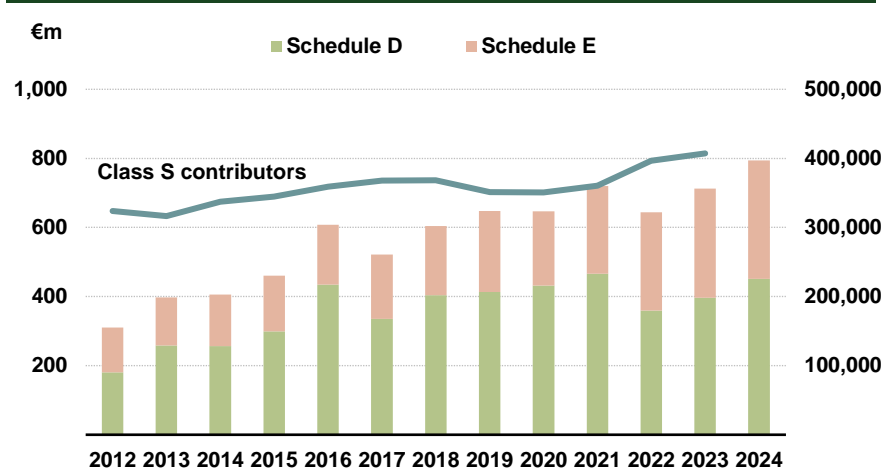
Source: Central Statistics Office. Analysis by the Office of the Comptroller and Auditor General.

PRSI class S contributors

17.24 Self-employed individuals, who have annual income of more than €5,000 per year, pay class S PRSI contributions. The earnings of certain company directors and certain local authority members also attract contributions under class S. In addition, unearned income received by taxpayers is liable for class S contributions.¹ The level of self-employment in the State cannot be disaggregated from the number of class S PRSI contributors.

17.25 Class S PRSI contributors accounted for 10% of all PRSI contributors in 2023 (the latest available complete data). Reflecting the relatively lower contribution rates for class S contributors, the associated PRSI contribution receipts account for just 4.6% of all PRSI receipts collected in 2023.

¹ Unearned income refers for example to income from investments and rent.

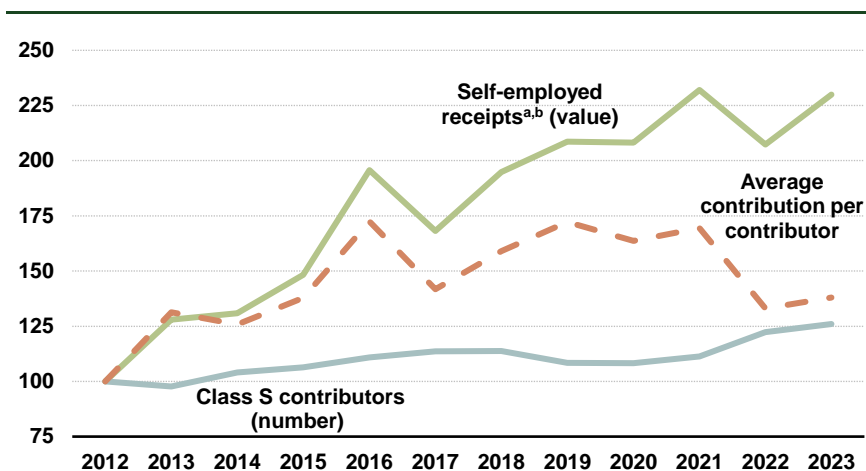
Figure 17.4 Self-employed PRSI receipts and number of Class S contributors, 2012 to 2024^{a,b,c}

Source: Department of Social Protection. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Self-employed receipts were obtained from note 1 of the SIF financial statements and may include some PRSI class K receipts. The schedule E amount is based on an estimated allocation rate.
 - b Number of class S contributors is not yet available for 2024.
 - c See the *Report on the Accounts of the Public Services 2024*, chapter 24, The collection and allocation of PRSI receipts, which sets out the characteristics of Schedule D and Schedule E income.

17.26 The number of persons classified for PRSI class S contributions increased moderately between 2012 and 2023 (see Figure 17.4). However, the increase between 2021 and 2022 was quite rapid, at 10% year-on-year. The Department considers that this was consistent with the overall rapid recovery of economic activity following Covid-19 restrictions. However, the number of class A PRSI contributors (employees) only grew by 5% in the same period. Given the same economic background, the reasons for the difference in growth rates are not clear.

17.27 In contrast to the moderate year-by-year movements in the number of class S contributors, the PRSI income reported from class S contributions is significantly more variable (see Figure 17.5). Average contributions per contributor are also highly variable, and it is difficult to see a clear economic basis for the shifts year on year.

Figure 17.5 Self-employed PRSI receipts and number of Class S contributors, 2012 to 2023, indexed to 2012

Source: Department of Social Protection. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Self-employed contribution receipts are as reported in note 1 of the SIF financial statements.
 - b The value of self-employed contributions may include some class K contributions. It is not possible to disaggregate self-employed contribution receipts into class S and class K.

17.28 PRSI receipts represent the amount collected by Revenue each year. This can include arrears of PRSI liabilities from prior years, preliminary estimates of PRSI due for the next year and balancing adjustments for final PRSI liabilities. The final PRSI liability for a year is not known for up to two years after the year of economic activity, due to the timing of self-employed returns.¹

17.29 The Department stated that the variability of class S PRSI receipts is impacted by

- changes to PRSI policy, such as the extension of PRSI to previously exempt income of some contributors from 2014 onwards, and
- the time-lag in receiving data from self-assessed income returns.

Revenue self-assessment data

17.30 Certain individuals are required to register with Revenue for income tax self-assessment and to file a self-assessed income tax return (Form 11) each year. This includes those who are self-employed but also taxpayers who do not trade.²

17.31 The most recent complete data available per sector relates to the 2022 tax year.

Review of data sources

17.32 Information from the CSO, the Department, and Revenue provides varying indications of the level of self-employment in the State (see Figure 17.6). While the indications from the Revenue and CSO data are close – a difference of 6% – the gap to the class S contribution figure is significantly larger. The number of class S contributors includes both the self-employed and recipients of unearned income. The Department does not view class S data as an estimate of self-employment levels.

¹ The statutory deadline for filing income tax returns is 31 October in the year following the year of assessment. This deadline is extended to mid-November each year for self-assessed taxpayers who file and pay their tax return using revenue online services.

² For example, company directors, those in receipt of foreign investment or rental income, employees who exercise share options (until end of 2023) and employees with foreign pensions.

Figure 17.6 Indications of self-employment levels

State body	2022	Basis
Office of the Revenue Commissioners	318,733	Taxpayer units who have filed a self-assessed income tax return and declared either a net profit or a net loss on the form's 'self-employed income' panel. ^a
Central Statistics Office ^b	336,700	Extrapolation of data obtained from the results of the labour force survey for Q4 2022.
Department of Social Protection	396,408	Number of PRSI Class S contributors. This includes returns of unearned income in addition to self-employed income.

Source: Department of Social Protection, Office of the Revenue Commissioners and the Central Statistics Office.

Notes: a A taxpayer unit can refer to an individual taxpayer or a married couple who are jointly assessed for tax purposes.
b As the latest complete data from Revenue self-assessed returns is from 2022, CSO and Department PRSI data for the same period was used.

17.33 The Revenue and CSO data can be disaggregated by economic sector, allowing for the data to be compared at that level. The Department receives data regarding the economic sector of PRSI contributors from Revenue. However, the NACE sector information for many of the PRSI class S contributions is 'unclassified' or 'unknown'. It is the Department's understanding that this mainly relates to sole traders or farmers who do not have a NACE code specified with Revenue.

17.34 In addition, class S contributors making returns in respect of pension and investment incomes are associated with the financial sector. Therefore, the number of self-employed workers in that sector cannot be determined.

17.35 The absence of complete and reliable information on the number of self-employed individuals per sector may hinder the Department's ability to carry out accurate risk analysis and to plan effectively targeted compliance activity.

17.36 The Department has stated that, as its compliance work is focused on PRSI class, the data available in relation to PRSI class S contributors is sufficient to carry out risk analysis and target its compliance activity in this area.

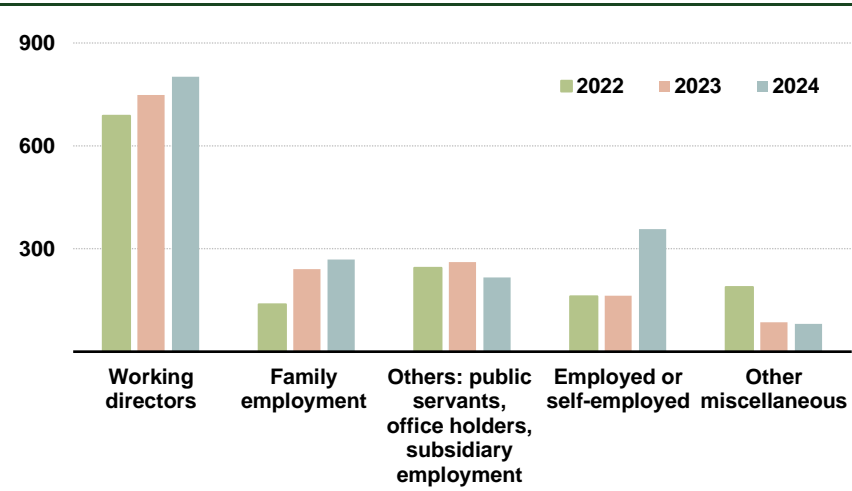
PRSI classification determinations

Scope Section decisions

17.37 The Department's Scope Section deals with all decisions relating to PRSI insurability including employment status queries for company directors, family employments, partnerships, civil and public servants and office holders. The Scope Section deals with employers and workers, or their representatives, who may apply to have an employment investigated to make sure that the correct PRSI class is applied.

17.38 The Scope Section decided over 1,700 cases in 2024 in total, an increase of 15% over 2023 (1,499 cases), see Figure 17.7.

Figure 17.7 Scope Section decisions 2022 – 2024

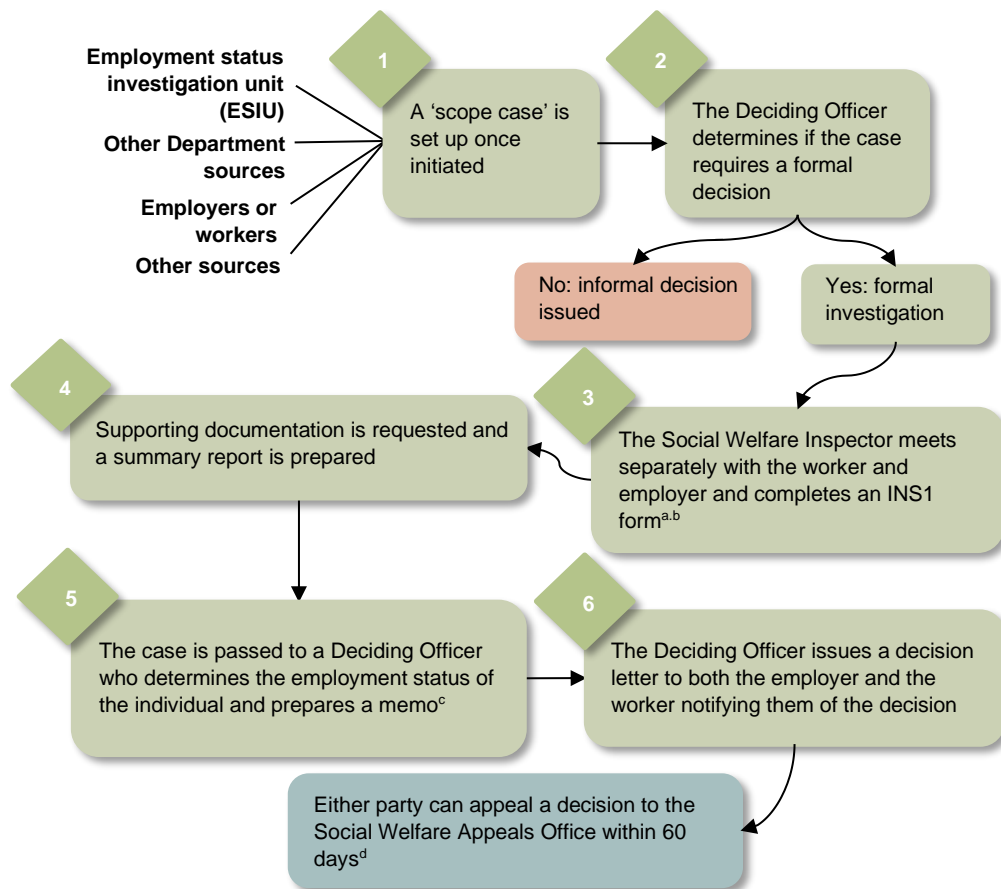


Source: Department of Social Protection

Employed or self-employed status decisions

17.39 Scope Section decisions on a worker’s employment status are made on a case-by-case basis, taking account of the particular circumstances of the case, relevant legislation, case law and the Code. Figure 17.8 outlines the decision process.

17.40 Most of the employment status cases that the Scope Section decides upon result in class A or class S classifications. A ‘class A’ outcome is where the Scope Section decided a worker should be classified as an employee for PRSI purposes and pay PRSI at the class A rate. This can either be confirmation of employment status where the worker was already classified as class A, or a change of classification to class A. In 2024, 357 cases determined – formally or informally – related to class A or class S status.

Figure 17.8 Scope Section decision process

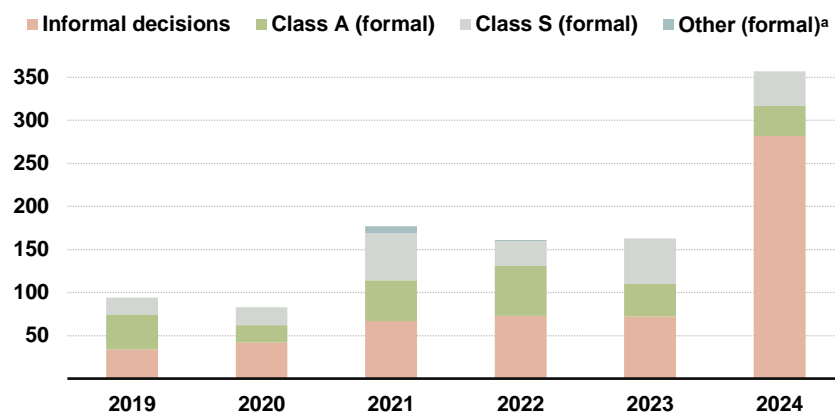
Source: Department of Social Protection. Compiled by the Office of the Comptroller and Auditor General.

- Notes:
- a The INS1 is the 'form for determination of employment or self-employment' that documents key factors regarding an individual's working arrangements.
 - b This step will already be completed by the ESIU Social Welfare Inspector where the case is initiated by the ESIU. The completed INS1 form is made available to the Deciding Officer.
 - c A new template has been prepared based on the five-step framework (see Figure 17.1) outlined in the Karshan case and the Code. This template is used when preparing the memo.
 - d This was previously 21 days. It was increased to 60 days from April 2025 under SI 744 of 2024 Social Welfare (Appeals) Regulations 2024.

17.41 In addition to formal employment determination decisions, the Scope Section also makes informal decisions, without a full investigation. Informal decisions occur when either the current class is confirmed as correct, or a reclassification occurs with agreement of the parties. A full scope review can be requested by either the employer or the worker if they are dissatisfied with the informal decision.

17.42 The number of informal decisions issued increased significantly in 2024. (See Figure 17.9). The majority of these decisions (217 of 282) related to informal decisions arising from a review of the employment status of workers at RTÉ.¹

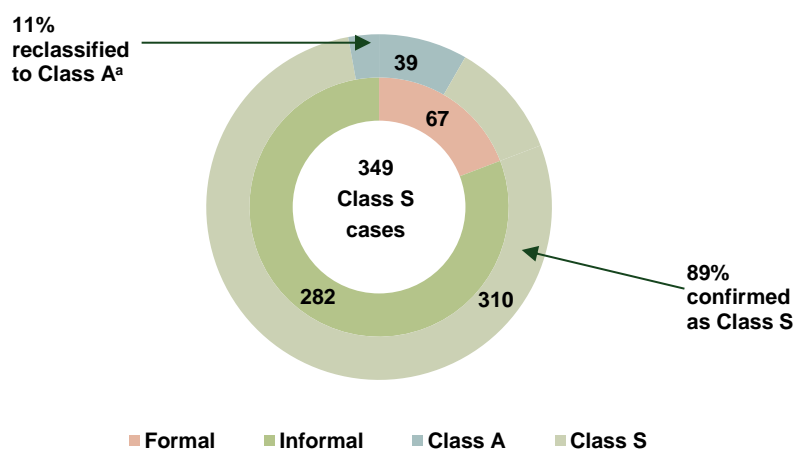
¹ The Department stated that over 500 employment status investigations relating to workers at RTÉ have been finalised, and a total of €3.8 million has been paid in PRSI arrears. Over 150 cases are on-going.

Figure 17.9 Class A v Class S decisions and outcomes, 2019 – 2024

Source: Department of Social Protection

Note: a Other relates to formal decisions where another PRSI class is determined.

- 17.43** The examination team reviewed a sample of Scope Section cases that were decided in 2024 and found that documentation and the rationale for decisions made was retained and accessible on the IT system. However, for cases that did not proceed to a formal decision, it was difficult to identify the basis for the decision not to proceed from the documentation on file.
- 17.44** The Department stated that this is an appropriate approach which supports timely decision making in cases that are considered 'clear-cut', given that an affected person (employer or worker) who is dissatisfied with the outcome can seek a formal decision.
- 17.45** Of the 357 employment status decisions made in 2024, the majority were originally classified as Class S (349 cases). 11% of these resulted in a reclassification, and 89% were confirmed as Class S (see Figure 17.10).

Figure 17.10 Outcome of Scope Section PRSI Class S cases, 2024

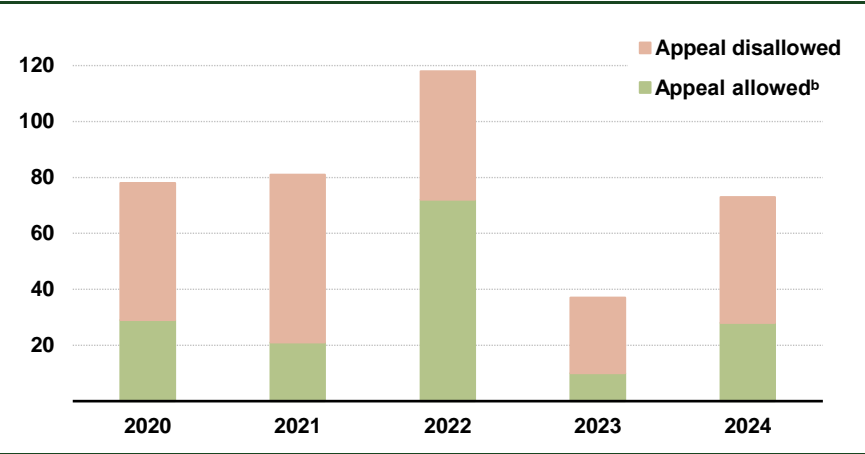
Source: Department of Social Protection

Note: a Includes one case which was reclassified to PRSI class J.

Appeals

- 17.46** Formal decisions by the Scope Section can be appealed to the Social Welfare Appeals Office by the worker or the employer.¹ In the period 2020 – 2024, an average of 77 Scope Section decisions were appealed annually to the Appeals Office (see Figure 17.11).
- 17.47** Appeal outcome data is difficult to interpret. Appeal outcome information is not collated on the number of cases relating specifically to a determination of PRSI class. The outcomes are generally collated and published on the basis of whether or not the appeal was allowed (in full or in part) or has been disallowed. However, the appeal could be taken by an employer or employee, and could be contesting a decision of a PRSI classification change or confirmation.

Figure 17.11 Scope Section appeals allowed and disallowed^a



Source: Department of Social Protection

- Notes:
- a This includes appeals in relation to modified contributions (SI 312 of 1996), excepted employment, voluntary contributions and missing contributions in addition to those relating to self-employment.
 - b An allowed appeal includes cases where the appeal is allowed, partially allowed, or a revised decision has been made by the scheme area.

1 Under the [Social Welfare \(Appeals\) Regulations 2024](#), any person who is dissatisfied with a formal decision of a deciding officer can appeal that decision within 60 days of the decision date.

2 The ESIU deals with all PRSI misclassifications. For example, in addition to class A/class S cases, the ESIU carried out a project in 2024 to review the classification of individuals as class M within a partnership from 2009 – 2024.

3 Social welfare inspectors are appointed under section 250 of the [Social Welfare \(Consolidation\) Act 2005](#).

Compliance activity to address the risks of misclassification of employment status

- 17.48** The Department has taken a number of steps specifically to address the risk of PRSI misclassification of workers and to allow for more targeted investigations to be carried out.

Employment Status Investigation Unit

- 17.49** The Employment Status Investigation Unit (ESIU) was established in 2019 and is dedicated to investigating PRSI misclassification.² The Unit has grown significantly since 2019, when there were six social welfare inspectors assigned to the Unit. There are now 18 social welfare inspectors assigned to the Unit, located across all the Department’s regions.³
- 17.50** While the Scope Section investigates cases on request or notification, the ESIU proactively carries out compliance activity to determine if there are any particular areas or sectors where misclassification may be occurring.

- 17.51** An ESIU social welfare inspector can inform an employer if s/he believes a PRSI reclassification should be made. Should the employer or worker disagree, they can request that a formal decision is made by the Scope Section. The ESIU will also typically refer any cases that are unclear or more complex to the Scope Section. The ESIU referred 68 cases to the Scope Section in 2024.

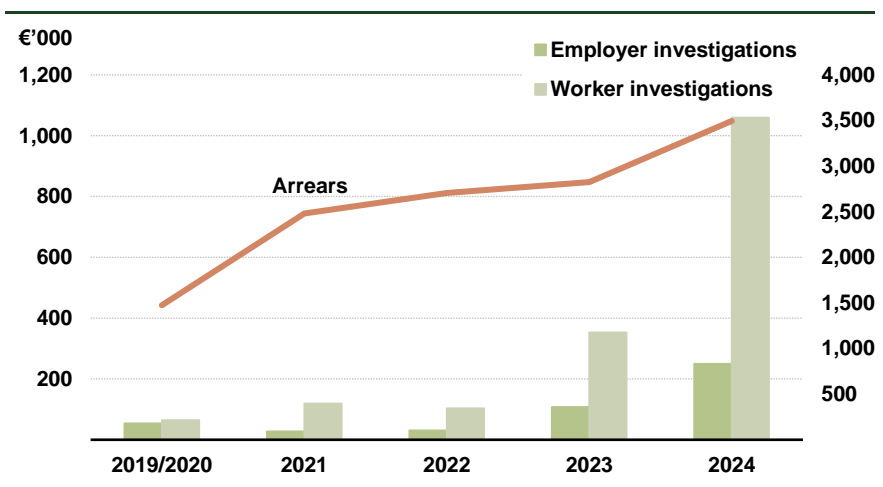
ESIU projects and investigation process

- 17.52** The Department stated that the ESIU adopts a project-based approach to selecting cases for investigation. Projects can be selected based on issues noted from reviews or from notifications from other units or stakeholders.
- 17.53** A project can focus on a particular employer or industry type. An ESIU team can visit an identified employer site (announced or unannounced) and request a list of contractors. Alternatively, a sample of cases may be selected across a range of locations for a particular industry type.
- 17.54** The ESIU team will generally review a sample of 10% of staff of an employer, or 10% of employers of a particular selected industry per region, to give an indication of whether the correct PRSI classification is being applied. This will determine if further investigation is required.
- 17.55** ESIU investigations are opened and progressed on the Department's workflow system with details of individual cases and investigation status recorded. An internal statistics spreadsheet is used as the primary tool to monitor the status of cases at an overall level, and from which the unit numbers and data are derived.

Compliance activity of the ESIU

- 17.56** The Department has stated that from its formation in 2019 to the end of 2024, the ESIU has reviewed over 1,500 businesses and over 5,600 workers. The activity level and the amount of arrears recorded have increased, with over €1 million in PRSI arrears identified in 2024 (see Figure 17.12).

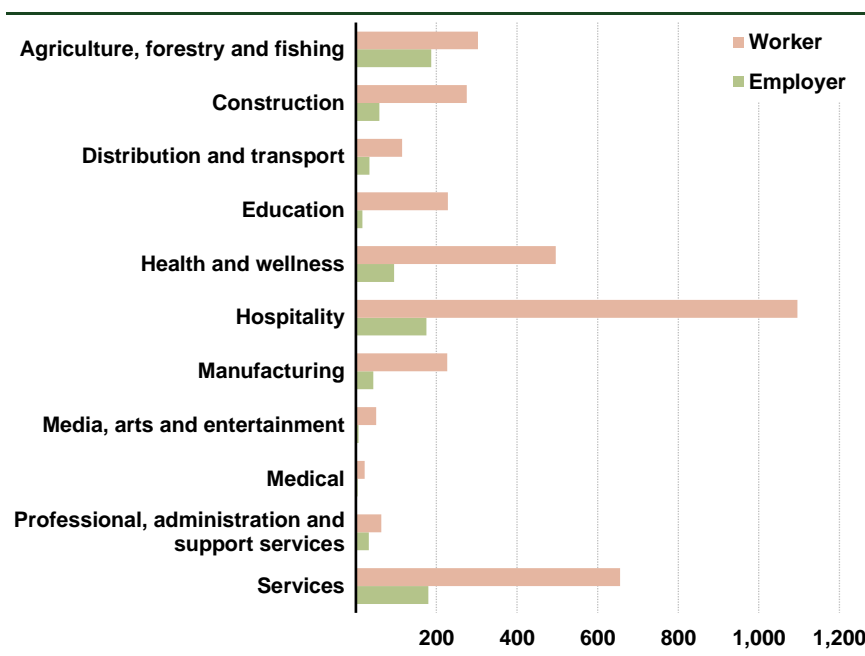
Figure 17.12 ESIU investigations finalised, and arrears recorded, 2019 – 2024



Source: Department of Social Protection

17.57 During 2024, the ESIU opened cases in relation to 831 employers and 3,531 employees across 11 different industry sectors. Figure 17.13 provides a breakdown of cases opened by sector in 2024.

Figure 17.13 ESIU investigations opened, by sector and employment status, 2024^a



Source: The Department of Social Protection

Note: a Although the breakdown of sectors was updated by the ESIU in 2022 to more closely align with the NACE classification, some differences remain.

17.58 ESIU investigations were completed for 724 employers and 3,373 employees in 2024, resulting in 379 reclassifications of employees (11%). Most of the reclassifications in 2024 were from class M (nil contributions) to class A (348) as a result of a project which focused on partnerships. Six cases were reclassified from class S to class A.

17.59 This examination included a review of a sample of 25 ESIU cases that were closed in 2024 across different sectors and categories. It was noted that adequate documentation was maintained on the file in most cases, in particular in cases where a re-classification was required or where the case was sent to the Scope Section. However, where a decision was not recorded or no reclassification had taken place, there was a lack of documentation on file to support or explain the outcome.

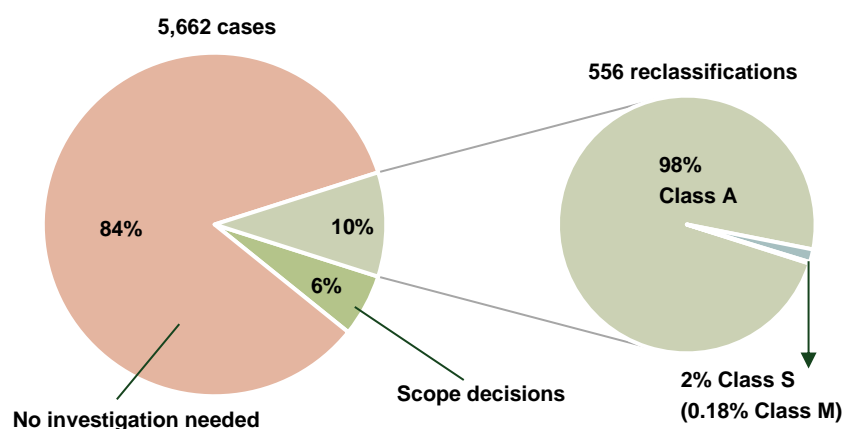
17.60 Although the guidance material for ESIU staff sets out a list of checks to be completed as part of the initial assessment, it is difficult to ascertain, from the information retained on the files, if these checks had in fact been completed. It is also difficult to trace the employment status decision from original class to revised class from the information retained on the Unit's IT system.

17.61 The Department has stated, that similar to the position for informal scope section cases, this is an appropriate approach, as a formal decision can be sought in all cases.

ESIU reclassification process and arrears

- 17.62** During the course of an investigation, an employer may agree to accept the assessment of the ESIU and transfer misclassified workers without the requirement of a Scope Section decision.
- 17.63** From 2019 to the end of 2024, ESIU inspectors concluded that a reclassification or a formal decision was not required in relation to 84% of the employments they selected for review. They recommended 556 employees (10%) be reclassified (see Figure 17.14). Of these, 546 were reclassified as class A, with 154 of these transferred from class S (self-employed) to class A (employee). The remaining 6% of cases were referred to Scope Section for a formal decision.

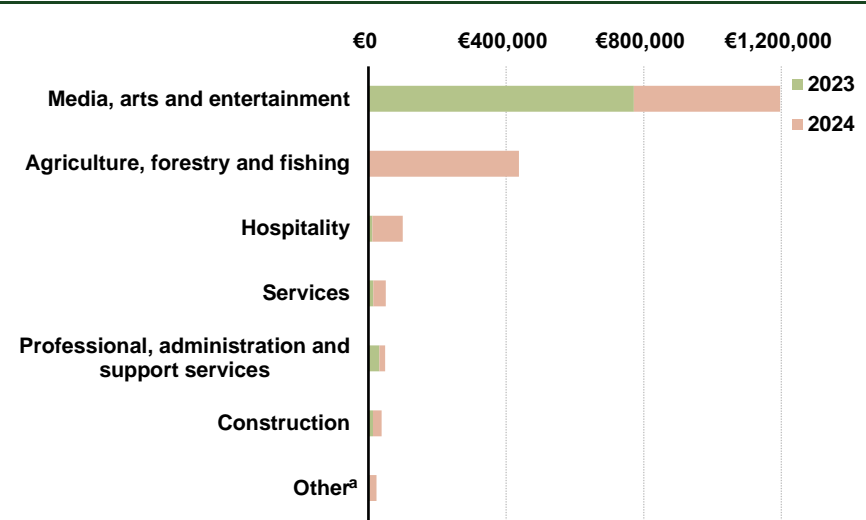
Figure 17.14 ESIU compliance activity outcomes, 2019 – 2024



Source: Department of Social Protection. Analysis by the Office of the Comptroller and Auditor General.

- 17.64** Total arrears identified by ESIU investigations in 2023 and 2024 amounted to €1.9 million. The media, arts and entertainment sector accounted for almost €1.2 million arrears, or 63% of the total amount, see Figure 17.15. The sector also showed the highest average arrears per case (€21,748 average across 55 cases).

Figure 17.15 PRSI arrears by sector, 2023 and 2024



Source: Department of Social Protection
 Note: a Other includes distribution and transport, health and wellness, education, medical and manufacturing.

17.65 When arrears are due, the ESIU issues a compliance notice to the employer with a breakdown of the arrears due. The social welfare inspector manually calculates this amount.

17.66 Revenue is the collecting agent for the majority of PRSI contributions, including for arrears of contributions from employers arising from the reclassification of workers.¹

17.67 It is the responsibility of the employer in the first instance to deduct the correct income tax, universal social charge (USC) and PRSI for their employees and to rectify any errors. When a PRSI liability is identified by the Department, the employer is advised to self-correct their payroll submission record through Revenue Online Services and pay the amount due. In cases where the employer does not self-correct, the Department informs Revenue of the PRSI class amendments and the amount of additional PRSI due.

17.68 Revenue has stated that, since 2019, and in line with legislation, its staff no longer amend or correct payroll records for employers for tax periods commencing on or after 1 January 2019.^{2,3} Therefore, a PRSI liability is not raised by Revenue for arrears due in cases where the employer does not self-correct the record. Revenue stated that the number of such cases is relatively small, with a low level of arrears identified for collection. There were three cases identified in 2024, with a total value of €27,480.

1 Arrears can also be collected by the Department directly.

 2 Since the introduction of the 'Pay As You Earn' (PAYE) income tax modernisation project in 2019. For the period from 1 January 2019 onwards, Revenue can collect when employers do self-correct their payroll submission(s) to reflect the Department's decision.

 3 Where additional liabilities are identified by a Department inspector, Revenue does not have the legislative power to raise a revenue assessment. Revenue's procedure in such cases is to acknowledge receipt of referral and to confirm to the Department that Revenue cannot amend the record for tax periods commencing after 2019.

Compliance activity — coverage, reporting and impact

- 17.69** The Department has stated that there is no estimate available of the total potential loss of PRSI contributions due to the misclassification of employment status within the State. Due to the individual nature of each case and the range of industry sectors, such an estimation is not considered feasible.
- 17.70** While there has been a large increase in the number of sectors investigated by the ESIU in recent years, these were generally targeted reviews, and a completely random approach is not adopted. A programme of random reviews of PRSI classification would enable the Department to establish reliable estimates of the extent of misclassification of employment status and of the associated lost contributions to the SIF.¹
- 17.71** The Department has stated that a completely random selection process would be inefficient as it would include sectors where the incidence of misclassification is likely to be extremely low. It also stated that the most efficient approach is to obtain as much data as possible by covering a wide range of industries, sectors and geographical locations.
- 17.72** Through its compliance activity in this area since 2019, the Department has reported low levels of non-compliance and found that where misclassification is identified, it is usually due to a misinterpretation rather than deliberate misclassification.
- 17.73** The Scope Section reports details of the decision clearance rate and results against a performance target on a monthly basis. In contrast, there is no similar formal reporting by the ESIU. The Department stated that each ESIU inspector has an individual target which is monitored and that ESIU annual targets are agreed with the Department's control division as part of the annual control and savings targets. It was also stated that ESIU activity is reported and recorded by the control division as part of its monthly reports and reported to the management board on a quarterly basis.
- 17.74** The ESIU section allows for more targeted cases to be passed to the Scope Section for decision. However, the decision is made by Deciding Officers who are required, by law, to act independently in the exercise of their functions.
- 17.75** The PRSI arrears recorded (as a result of ESIU cases) have increased each year since 2019, with almost €3.9 million recorded until the end of 2024 from 5,662 individual cases. The Department has stated that €2.3 million (59%) had been fully recovered as at the end of 2024 and that there are recovery plans in place for the greater part of the balance.

Misclassification compliance work outside of the ESIU

- 17.76** In addition to the ESIU staff, around 340 other social welfare inspectors operate in other units across the Department. Where social welfare inspectors conduct employment status investigations, their reports are submitted to the Scope Section for decision. Where a local investigation becomes complex or is likely to result in a larger scale project, the social welfare inspector may request the ESIU to investigate.

¹ See [Report on the Accounts of the Public Services 2021, chapter 14, Classification of workers for PRSI purposes](#).

Revenue compliance activity

- 17.77** Following the Karshan judgment, Revenue published updated guidance setting out the key elements of the judgment and its implications for businesses engaging employees, workers, contractors or sub-contractors. Revenue operates a risk-based approach to compliance management. Taxpayers are selected for compliance intervention using various risk-driven methodologies including Revenue's risk evaluation and profiling system.¹ Revenue stated that the nature of any intervention carried out is based on the specific risks identified, and the behaviour of the taxpayer concerned.
- 17.78** Revenue undertakes significant 'outdoor visits' under the remit of its Joint Investigations Unit.² From 2022 to March 2025, there were over 12,000 outdoor visits across multiple sectors. As a result of the visits undertaken, 1,402 workers were identified as (previously) unregistered, and 34 workers were reclassified as employees.
- 17.79** Revenue stated that 3,500 visits were made to construction sites, with interviews held with 7,893 workers. Of these, 210 workers (2.7%) were identified as unregistered, and 19 workers (0.2%) were reclassified as employees. Revenue has stated that similar data for visits to other sectors will be available for the year 2025 and onwards.
- 17.80** In November 2023, Revenue established a Cross-Divisional Shadow Economy Steering Group.³ This provides a forum for improved collaboration across divisions within Revenue in relation to its approach to the risk of shadow economy activity.

Conclusions and recommendation

- 17.81** Misclassification of employment status can result in the individual not receiving the social insurance benefits to which they are entitled and in lost contributions to the Social Insurance Fund. Classification of a worker for PRSI purposes in class A (required for most employees) or in class S, which covers most self-employed individuals, can result in significantly different amounts being contributed to the Fund.

Evolving definitions of employment status

- 17.82** There is no formal definition of an employee or self-employed worker in Irish or EU legislation. However, a framework to determine the employment status of a worker has been developed from case law.
- 17.83** The *Code of Practice on Determining Employment Status* provides guidance to employers and individuals as to the factors that are considered when making a determination. The Code was updated in 2024 and sets out the current framework to follow, based on the 2023 judgment of the Supreme Court in the Karshan case.
- 17.84** The formats under which workers are engaged are changing as a result of the development of online technologies. This includes, in particular, the development of 'platform' workers. Legislation at both EU and national level is changing in response to those changes.

¹ See [Report on the Accounts of the Public Services 2023, chapter 20, Ensuring taxpayer compliance.](#)

² The role of the Revenue Joint Investigations Unit is to carry out compliance interventions into tax and PRSI non-compliance and fraud, which includes the employment status of workers, and to address sectors where information suggests shadow economy activity exists. The unit works regularly with the Department.

³ Members are recruited from all operational divisions as well as from Revenue's Personal Taxes Policy and Legislation Division and the Accountant General's and Strategic Planning Division.

Understanding trends in employment status and earnings

- 17.85** The key risk to complete collection of PRSI contributions requires the Department to ensure that workers incorrectly classified as class S (with lower total social insurance contribution rates) are identified quickly and reclassified to the correct higher-rate class (mainly class A). Misclassification of workers for PRSI purposes on a significant scale could also distort competition in certain economic sectors.
- 17.86** The Department receives PRSI data from Revenue, including economic sector information. Due to the limitations of the data available, the Department is unable to analyse class S receipts by employment status of the contributor, by income type (earned or unearned), or by sector in which class S contributors work. Revenue, which collects most PRSI contributions, has more extensive information on the economic sectors in which taxpayers are principally engaged.
- 17.87** The Department carries out PRSI contribution compliance activity targeted at certain economic sectors. For this to be meaningful and effective, it should be based on informed risk analysis, underpinned by an accurate understanding of the level of self-employment in each sector.
- 17.88** Better statistical data about class S contributions would allow the Department to undertake improved analysis of trends and risk assessment, and to plan more effective targeted employment status compliance activity. It would also support more transparency around class S contribution receipts.

Recommendation 17.1

For analytic purposes, and to help target compliance activity, the Department should examine the scope for receiving more complete information on the economic sectors, the source and the type of income giving rise to class S PRSI contributions.

Accounting Officer's response

Agreed.

The Department will continue to work closely with the Revenue Commissioners through existing engagement structures, like the High-Level Group, to examine the scope to exchange more detailed information on the source and type of income giving rise to class S PRSI contributions.

Timeline for Implementation

Q3 2026.

Compliance-focused activity

- 17.89** The Employment Status Investigation Unit (ESIU) was established in 2019 and is dedicated to investigating the social insurance classification of workers. The activity of the unit has increased steadily, with 831 employer and 3,531 individual cases opened in 2024, across 11 industry sectors. The number of ESIU reclassifications resulting from those reviews was significant — 11% of employees reviewed in 2024 were reclassified to class A, which has the highest contribution level.

- 17.90** The total PRSI arrears identified by ESIU investigations, from its inception to year-end 2024, was €3.9 million. The Department has stated that €2.3 million of the arrears identified has been collected as at the end of 2024.
- 17.91** Revenue's online system is set up, in line with legislation, for the employer to take responsibility to amend their record (and pay any arrears) when an underpayment is identified. In line with legislation, payroll submissions can only be amended by the employer. Where this does not happen, Revenue cannot collect the liability identified by the Department following reclassification. However, the liability can be pursued and collected by the Department.
- 17.92** ESIU investigations are opened and progressed on the Department's workflow system. Statistics on the status of ESIU cases are manually tracked and recorded using an Excel spreadsheet. The recording of information on a standalone spreadsheet, which is not integrated into any system, may result in errors or loss of information.
- 17.93** The Department's Scope Section deals with all decisions relating to PRSI insurability including determination of employment status. The investigation is stored on the Department's IT system. Adequate documentation and rationale for decisions were clearly identifiable in most formal cases reviewed by the examination team. However, for both ESIU and Scope Section cases, when an investigation was not undertaken or no change was made (which accounts for the majority of cases), it is more difficult to understand the reasoning for this from the information recorded on the system.

Annex 17A PRSI classes and contribution rates (from October 2024)

PRSI class	Description	Individual rate^a	Employer rate^a
A	Persons aged between 16 years and the pension age which is currently 66, who are employed under a contract of service and have reckonable pay of €38 or more a week from all employments as well as public and civil servants recruited from 6 April 1995. ^b	4.10%	11.15%
B	Permanent and pensionable civil servants, registered doctors and dentists employed in the civil service and Gardaí recruited prior to 6 April 1995.	4.10%	2.11%
C	Commissioned officers of the Defence Forces and members of the Army Nursing Service recruited before 6 April 1995.	4.10%	1.95%
D	Permanent and pensionable employees in the public service, other than those mentioned in Classes B and C, recruited before 6 April 1995.	4.10%	2.45%
E	Ministers of Religion employed by the Church of Ireland Representative body. PRSI is paid under the Special Collection System of the Department of Social Protection. ^c	3.43%	6.97%
H	Non-Commissioned Officers (NCOs) and enlisted personnel of the Defence Forces.	4%	10.45%
J	This relates to most people with reckonable pay of less than €38 a week from all employments. However, a small number of employees are insurable at Class J no matter how much they earn. ^d	Nil	0.60%
K	Certain public office holders, where their income is over €5,200 a year. Modified rate contributors (for example civil and public servants recruited prior to 6 April 1995) with self-employed earned income from a profession or a trade and any other unearned income are liable to PRSI at Class K on that income. Employed contributors and occupational pensioners, under pensionable age, currently 66 years, whose only additional income is unearned income may be liable to PRSI on such income at Class K.	4.10%	Nil
M	Class M relates to people with a nil contribution liability.	Nil	Nil
P	This relates to share fishermen and fisherwomen who are classified as self-employed and who already pay PRSI under Class S. Class P is an optional contribution and gives access to limited jobseeker's benefit, limited illness benefit and treatment benefit.	4.10%	N/A
S	This relates to self-employed people, including certain company directors, certain people with income from investments, rent and certain local authority members.	4.10%	N/A

Source: Department of Social Protection

- Notes:
- a This is the maximum rate payable. The actual rate is dependent on the amount of weekly gross pay. There are a number of subclasses within each class who may pay a lesser rate. Rates are due to increase from 1 October 2025.
 - b Also includes those born on or after 1 January 1958 aged between 66 and 70 years who have not been awarded the State Pension (Contributory).
 - c The Special Collection System is for employers who operate a foreign payroll with no access to an Irish payroll and for non-PAYE employees who do not hold PAYE exclusion orders. PRSI contributions are paid directly to the Department of Social Protection.
 - d Employees born before 1 January 1958, or people over pensionable age (66 years) and in receipt of State Pension (Contributory), or people over aged 70 years and those included in subsidiary employment.

Annex 17B Summary of benefits in 2024 for the main PRSI classes

Benefit/class	A	D	H	J	K	M	S
Adoptive benefit	✓		✓				✓
Benefit payment for 65 year olds	✓		✓				✓
Carer's benefit	✓	✓	✓ ^a				✓ ^b
Guardian's payment (contributory)	✓	✓	✓				✓
Health and safety benefit	✓		✓				
Illness benefit	✓		✓				
Invalidity pension	✓		✓				✓
Jobseeker's benefit	✓		✓				
Jobseeker's pay-related benefit (from 31 March 2025)	✓		✓				
Jobseeker's benefit self-employed							✓
Maternity benefit	✓		✓				✓
Occupational injuries benefit	✓	✓		✓		✓ ^c	
Parent's benefit	✓	✓	✓				✓
Partial capacity benefit	✓		✓				✓
Paternity benefit	✓		✓				✓
State pension (contributory)	✓		✓				✓
Treatment benefit	✓		✓ ^a				✓
Widow's, widower's or surviving civil partner's (contributory) benefit	✓	✓	✓ ^a				✓

Source: Department of Social Protection

Notes: a Paid during service.

b From 1 January 2025.

c Occupational injuries benefit is available to those insured under class M, in certain circumstances.

Annex 17C Examples of different treatment for PRSI and income tax purposes

- **Sub-postmasters and social welfare branch office managers** — there has been an agreement in place since 1979 between the Department, An Post and the Post Master's Union, that postmasters are insured at PRSI class A (employees). However, for tax purposes, postmasters are recognised as schedule D/self-employed. An Post remits postmaster's PRSI directly to the Department, while the postmasters themselves file annual returns of income (profits) to Revenue for the collection of tax. A similar situation exists in relation to Social Welfare branch office managers.

In May 2025, Revenue updated its guidance on the income tax and PRSI treatment of individuals who are engaged as sub-postmasters and as social welfare branch managers. For income tax purposes, the guidance requires An Post and the Department (as 'employers') to apply the revised five-step framework to determine the employment status of sub-postmasters and branch managers. If it is determined that such workers are self-employed for tax purposes, then the income should be returned as self-employment income.

- **Home tutors** — The Department of Education and Youth has an administrative agreement with Revenue for home tutors. While the tutors are subject to class S PRSI (self-employed), income tax and PRSI are deducted under the PAYE system (employee). The tutor only files an income return if s/he is in receipt of other income.

In April 2025, Revenue updated its guidance on the taxation of payments made to home tutors. References to specific PRSI classes were removed and a note was added to confirm that the Department is responsible for determining PRSI classes.

- **Coroners** — From a Revenue perspective, all payments to coroners which arise in their capacity as office holders are chargeable to income tax under schedule E. Payments are subject to deductions at source under the PAYE system (employee). The Department considers that a coroner is an 'office holder', under PRSI class M and therefore the PRSI liability is nil.

Source: Department of Social Protection and the Office of the Revenue Commissioners

