

Taxation of Maternity Benefit, Paternity Benefit, Adoptive Benefit and Health and Safety Benefit

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1. Introduction

The Paternity Leave and Benefit Act 2016 introduced an entitlement to Paternity Benefit for an employed or self employed person who is on paternity leave from work and covered by PRSI. Section 36 of that Act amended Section 126 of the Taxes Consolidation Act (TCA) 1997 by adding paternity benefit to the list of benefits payable by the Department of Employment Affairs and Social Protection which are chargeable to income tax.

Benefits now listed in subsection (2A) of section 126 TCA 1997 are:

- Maternity Benefit
- Paternity Benefit
- Adoptive Benefit
- Health and Safety Benefit

2. Benefits

Maternity Benefit is a payment to an employed or self-employed woman who is on maternity leave from work and who satisfies certain PRSI contribution conditions.

Paternity Benefit is a payment to an employed or self-employed person who is on paternity leave from work and covered by PRSI. It is paid in respect of births and adoptions which occur on or after 1 September 2016.

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[...]

Adoptive Benefit is a payment to an adopting mother or a single male who adopts a child. It is available to both employees and self-employed people. Certain social insurance (PRSI) contribution conditions must be met. Adoptive Benefit is paid for a continuous period of 24 weeks from the date of placement of a child.

Health and Safety Benefit is a weekly payment for women who are granted health and safety leave under the Maternity Protection Act 1994. Health and safety leave is granted to an employee where the employer cannot remove a risk to the employee's health or safety during pregnancy or while breastfeeding, or cannot give the employee other 'risk-free' duties.

3. The Charging of Income Tax

The charging of income tax on the benefits/payments referred to above (aside from paternity benefit) commenced from 1 July 2013 by virtue of Section 126 of the Taxes Consolidation Act 1997 (as amended by Section 8 of Finance Act 2013).

These benefits/payments are exempt from PRSI and the Universal Social Charge.

Example:

Margaret commenced maternity leave on 1 May 2013. She successfully applied for maternity benefit from the same date. All payments to Margaret in respect of the period 1 May 2013 to the 30 June 2013 inclusive are made tax free. All payments made to Margaret in respect of the period commencing 1 July 2013 are subject to income tax.

4. Method of applying taxation

In PAYE cases, the employer will not be required to include the benefit as part of pay for PAYE purposes. Instead, Revenue will, where possible, collect the tax due on this income by adjusting the tax credits and standard rate band in respect of recipients and issue a revised certificate of tax credits and rate bands to the employer. The adjustment to the tax credits and standard rate bands will be the main method of taxing these benefits.

In the case of self-employed individuals, any maternity benefit received from 1 July 2013, or any paternity benefit received on or after 1 September 2016, should be returned as taxable social welfare income.

Further information on the taxation of these benefits is available on our website at [Taxation of Welfare Benefits](#)