

# Irish tax treatment of employee benefits



Irish employers can include a wide range of Benefits-in-Kind (i.e. non-cash benefits) in employment packages for employees. They can also offer some other non-financial benefits to make employment packages more attractive.

The below list provides a description of these employee benefits as well as an overview of their payroll tax implications. The list is not exhaustive; it's designed to give a flavour of typical employer-provided benefits offered in Ireland.

## Typical Benefits-in-Kind (BIK) and Their Irish Payroll Tax Implications

Benefit	Description	Irish Payroll Tax Implications
<b>Professional subscriptions</b> 	Employers pay professional subscriptions for their employees.	<p>In certain limited circumstances, the employer may pay for employees' professional subscriptions without the deduction of tax provided that an individual wholly, exclusively and necessarily incurs the fees in the performance of the duties of employment.</p> <p>Potential for relief should be reviewed on a case-by-case basis.</p>
<b>Employee pension contributions</b> 	Employees can make a contribution to an approved occupational pension scheme.	Employees may make contributions to an approved pension scheme with relief available for income tax only. Relief is subject to an age-related earnings percentage limit and a total earnings limit. No relief for USC or PRSI is available.
<b>Employer pension contribution</b> 	Employers make contributions to employees' pension scheme.	<p>If the employer makes a contribution to an approved occupational pension scheme, it is not treated as a BIK in the hands of the employee.</p> <p>If the employer makes a contribution to an approved occupational pension scheme or a Personal Retirement Savings Account (PRSA), it is not treated as a BIK in the hands of the employee.</p>
<b>Medical insurance</b> 	Employers can pay medical insurance to an approved insurer on behalf of employees and their family.	<p>The employee is subject to tax as a BIK on the gross value of the policy.</p> <p>The employer pays a reduced premium to the insurer. The employee may be able to claim tax relief from Revenue on the medical insurance where relief is not provided at source.</p>

Benefit	Description	Irish payroll tax implications
<b>In-house medical plans and corporate GP services</b> 	Employers may run an in-house medical plan which the employees contribute to and make claims from.	Where the employer makes no contribution to the plan, it will not be considered a BIK. If the employer makes contributions to the in-house medical plan, the employer must seek Revenue approval to confirm there is no BIK. Employers may also choose to employ or pay a retainer to a general practitioner. Any benefit received by employees shall not be treated as a taxable BIK.
<b>Medical check-ups</b> 	Employers can pay for one medical check-up each year for each employee.	This is not a taxable BIK. If the employer requires employees to receive medical check-ups for work, there is no yearly limit. This is not a BIK.
<b>Health expenses</b> 	Employers may incur health expenses in the provision of health care to a director or an employee.	Finance Act 2021 introduced a statutory BIK exemption effective since 1 January 2021 in respect of health expenses incurred by an employer in the provision of health care to a director or an employee provided the health care is made available generally to all employees and directors.
<b>Company car</b> 	An employer provides a vehicle for an employee for private use.	<p>Employee is liable to pay PAYE, USC and PRSI on the “cash equivalent” of the private use of the vehicle. A number of factors need to be considered for this BIK.</p> <p>From 1 January 2023, new rules have applied in respect of calculating BIKs of company cars. The BIK charge is based on the vehicles CO2 emissions and business mileage undertaken. It is between 9 and 37.5% of the Original Market Value (OMV).</p> <p>A full exemption from BIK is available in certain circumstances for an electric vehicle made available for an employee’s private use during the years 2019-2022. Where a full exemption does not apply, partial relief from BIK may apply by reducing the OMV by €50,000 when calculating the cash equivalent of the vehicle.</p> <p>The Government announced temporary changes to the company car BIK treatment for the tax year 2023. These changes are applicable for 2023 only, and the BIK treatment will revert to the previous rules in January 2024. Please read our article on the temporary measures for further details</p>
<b>Commuter tickets</b> 	The scheme involves employers providing employees with bus, rail and Luas commuter tickets while saving on employer PRSI payments.	The employee will be exempt from PAYE, PRSI and USC where there is a salary sacrifice arrangement in place and certain other conditions are met.
<b>Cycle to work scheme</b> 	Under the scheme, employers can pay for bicycles and bicycle equipment for their employees. The employee pays back the cost through a salary sacrifice arrangement of up to 12 months.	<p>Where conditions are met, the employee will be exempt from PAYE, PRSI and USC on the benefit of the cost of the bicycle and equipment up to €1250 or €1500 in the case of a pedelec or electric bike.</p> <p>Employees can avail of the scheme once every four years (five years prior to 1 August 2020). This restriction applies even if the cost of the bicycle and equipment was less than €1250 for or, in the case of a pedelec or electric bike</p>
<b>Vouchers</b> 	Employers can give employees one or two vouchers per annum where the combined value does not exceed €1000. This benefit must not be in cash.	Employers can provide one or two vouchers tax free to an employee each year. Unused allowances cannot be carried forward. Once the limit is exceeded, the full value is subject to tax. The maximum number of vouchers allowed is two per year. If an employer provides any subsequent voucher, it is fully taxable regardless of whether the €1000 limit has been exceeded.

Benefit	Description	Irish payroll tax implications
<b>Company shares</b> 	An employer can award shares to an employee either for free, at a discounted price or under a share award/option scheme.	The tax treatment of the share scheme depends on the type of share scheme in place. In general, share awards are subject to income tax through payroll, with the exception of share options (subject to Relevant Tax on Share Options (RTSO)). Any income tax due on share options is paid via the self-assessment procedure.
<b>Meals in canteen</b> 	Employers can provide meals to employees in a canteen.	To be tax free, the benefit must be available to all employees. If it is available only to certain employees, then it is regarded as a taxable benefit.
<b>Meal vouchers</b> 	Employers can provide staff with meal vouchers.	The face value of the voucher less .19c per voucher must be treated as taxable income for the employee.
<b>Seasonal parties and other events</b> 	Employers host seasonable parties and other events. They must be available to all employees.	These events and parties are tax free if they are available to all employees, and expenses are reasonable. A BIK will also not arise when the employer incurs reasonable costs in hosting a virtual seasonal party for the employees, provided the event is open to all employees.
<b>Staff discounts</b> 	Employers may provide staff discounts to employees.	The benefit is taxable if the cost to the employee is less than the cost incurred by the employer in providing the discount or if the goods can be easily exchanged for money. It is not taxable if the employee pays the cost or greater to the employer for providing the benefit.
<b>Mobile phone/broadband/computer equipment</b> 	An employer may provide certain equipment to employees to enable them to work from home, such as IT equipment, telephone and related items.	The benefit is not taxable if the mobile phone or internet service is for business use and private use is minimal. Likewise, the employer can provide equipment without deduction of tax if private use is minimal.
<b>Car parking facilities</b> 	Employer provides car parking for employees.	This benefit is current exempt from tax and not deemed a BIK.
<b>Exam/course fees</b> 	An employer contributes to the cost of course and/or exam fees for an employee.	This contribution is not a taxable benefit if the course or exam is relevant to the business. If it is not relevant to the business, then it is taxable.
<b>Income protection</b> 	Income protection—also known as salary protection, permanent health insurance or disability benefit—can cover a portion of the employee’s salary if they are unable to work because of illness or injury for a prolonged period of time.	The insurance premiums payable by the employer are not subject to tax as BIK to the employee. Salary benefited from income protection is still subject to PAYE, USC and PSRI on payment.
<b>Death in service benefits (life cover)</b> 	Death-in-service benefits provide a lump sum pay-out to the employee’s estate in the event of their death while in employment with the firm. It can include spouses’ death-in-service pension, children’s/dependents’ pensions and orphans’ pensions up to and including the maximum death benefit allowable under the Pensions Act.	The contributions paid by the employer are not subject to tax as a BIK to the employee. It’s allowable as a deduction against corporation tax for the employer.
<b>Crèche facilities</b> 	The employer provides free or subsidised childcare facilities at work for employees.	This is a BIK to employees, and they must pay income tax, USC and PRSI on this benefit.
<b>Sports &amp; recreational facilities</b> 	<b>Employers provide facilities for use by staff.</b>	<p>If employers provide facilities on their premises and they are available to all staff, this benefit is not deemed taxable. If it’s only available to selected employees, then it’s deemed a taxable benefit.</p> <p>Where an employer pays for a corporate subscription membership to a sports or recreational facility for employees, it is a taxable BIK, and PAYE, PRSI and USC must be deducted.</p>

Benefit	Description	Irish payroll tax implications
<b>Examination award</b> 	An employer gives an award to an employee for exam success.	<p>A cash award made to an employee in recognition of passing an examination or acquiring a qualification that bears some relationship to his or her duties is not taxable provided that the award is of such an amount that it can be reasonably regarded as a reimbursement for expenses likely incurred in studying for and sitting the examination.</p> <p>If courses or exams are necessary for the employee's employment duties and directly related to increasing the effectiveness of the employee's performance of duties, the fees can be paid tax free.</p>
<b>Loans to staff</b> 	A employer makes a preferential loan to an employee or former employee or their spouse where the interest rate applied to the loan is lower than specific rate set by the Department of Finance.	This benefit is taxable, and the employee must pay PAYE, PRSI and USC. The value of the benefit is the difference between the interest paid and specific rate for the year as set by the Department of Finance.
<b>Accommodation</b> 	Employer provides or subsidises accommodation for employees.	<p>Free or subsidised accommodation is a taxable as a BIK.</p> <p>No BIK arises where an employee is required to live in specific accommodation to perform their duties, where certain conditions are met.</p>
<b>Remote working from home</b> 	The employer pays an allowance an employee working from home.	An employer may pay up to €3.20 per day without deducting PAYE, USC and PSRI to cover the additional costs of working from home, such as electricity and head. If the employer pays any amount greater than €3.20 per day, it will be taxed.
<b>Annual bonus/ Performance bonus</b> 	The employer pays the employee an annual bonus or performance bonus.	The bonus received is fully taxable and PAYE, PRSI and USC should be deducted.

The below benefits do not have any tax implications but could be provided to retain staff.



**Flexible hours:** Flexitime allows workers to work when they want so long as they complete the total number of hours they have agreed to work.



**Additional annual leave:** Employers grant additional annual leave days above the statutory requirement of four weeks.



**Maternity and paternity leave pay:** Employers pay part or all of the employee's salary while they are on maternity or paternity leave. The salary received is fully taxable.



Employers pay the salary for employees who have taken sick leave. The pay received is fully taxable.

### Summary

There are many benefits that employers can offer to employees as part of their overall remuneration package. Benefits can take the form of a cash benefit—for example maternity leave pay—or a non-cash benefit, such as the cycle-to-work scheme. The payroll tax treatment of each benefit varies depending on the type of benefit offered.

At Grant Thornton, our dedicated Employer Solutions team have extensive experience in designing and implementing remuneration and reward packages for employees. If you would like to discuss structuring a reward package, please contact us.

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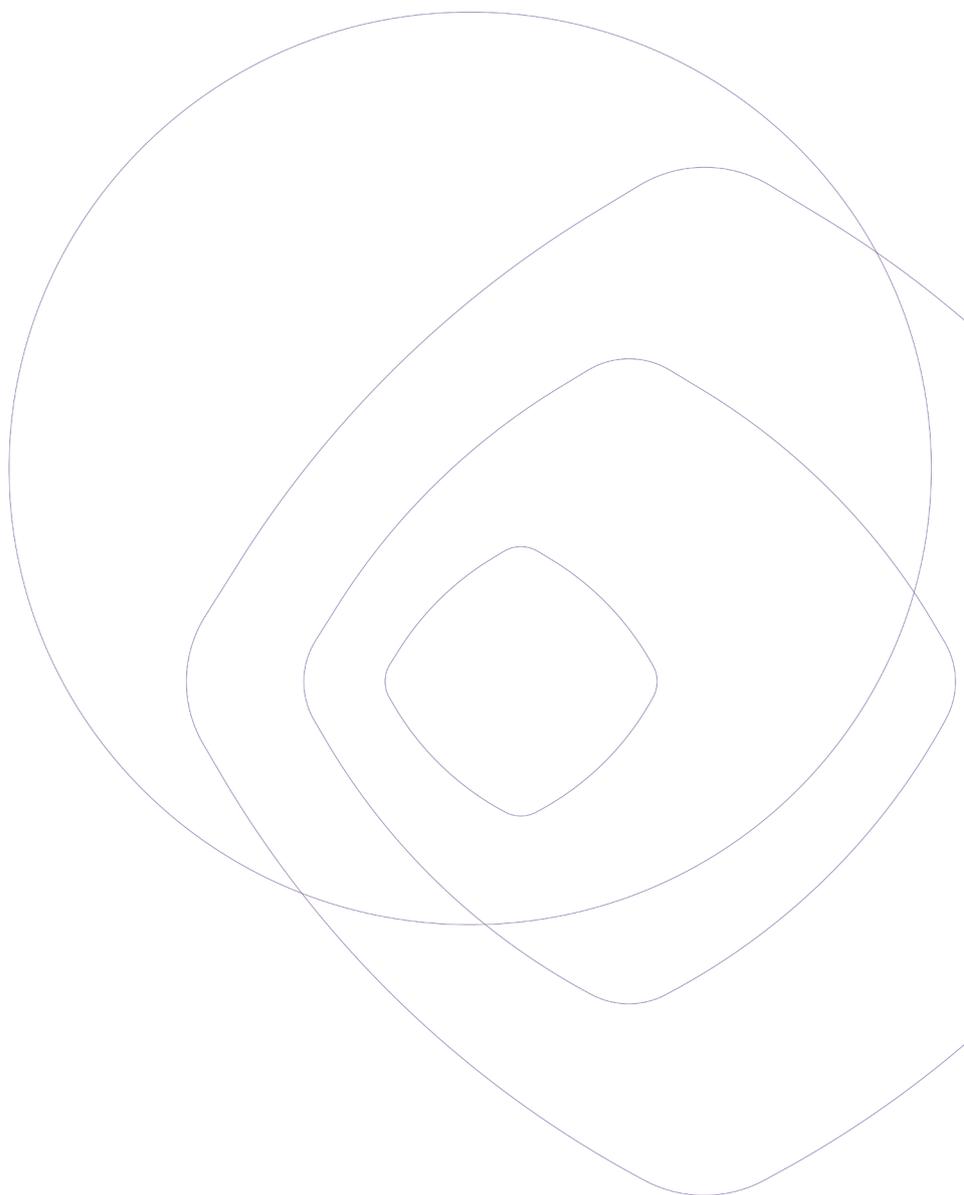
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