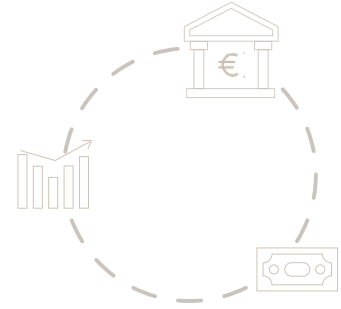






Irish tax treatment of employee benefits











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

Below you will find a list of employee benefits and an overview of the payroll tax implications. Please note this list is not exhaustive but is designed to give you a flavour of typical employer provided benefits in Ireland and potential Irish tax treatment for employees.





| Benefit | Description | Irish payroll tax implications |
|--|---|---|
| Professional subscriptions  | Employers pay professional subscriptions for their employees. | In certain limited circumstances the employer may pay professional subscriptions for employees without the deduction of tax provided fees are incurred wholly, exclusively and necessarily by an individual in the performance of the duties of employment. Potential for relief should be reviewed on a case-by-case basis. |
| Employee pension contributions  | 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. |
| Employer pension contribution  | Employers make contributions to employees' pension scheme. | If the employer contribution is made to an approved occupational pension scheme it is not treated as a Benefit-in-Kind (BIK) in the hands of the employee. If paid to a Personal Retirement Savings Account (PRSA) treated as BIK but income tax relief available to employee. |
| Medical insurance  | Employers can pay medical insurance to an approved insurer on behalf of employees and their family. | Employee is subject to tax as a BIK on the gross value of the policy. Employer pays a reduced premium to the insurer. Employee may be able to claim tax relief from Revenue on the medical insurance where relief not provided at source. |

| Benefit | Description | Irish payroll tax implications |
|--|---|--|
| In-house medical plans and corporate GP services  | 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. |
| Medical check-ups  | 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. |
| Health expenses  | 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. |
| Company car  | Providing 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 will apply in respect of calculating BIK’s of company cars. The BIK charge will be based on the vehicles CO2 emissions and business mileage undertaken and will be between 9% and 37.5% of the Original Market Value (OMV).</p> <p>For an electric vehicle made available for an employee’s private use during the years 2019 – 2022, a full exemption from BIK is only available in certain circumstances. 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> |
| Commuter tickets  | 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. |
| Cycle to work scheme  | Under the scheme employers can pay for bicycles and bicycle equipment for their employees and the employee pays back through a salary sacrifice arrangement of up to 12 months. | <p>The employee will be exempt from PAYE, PRSI and USC on the benefit of the cost of the bicycle and safety equipment up to €1,250 (or €1,500 for an electric bike), where conditions are met.</p> <p>This scheme can be used once every four years (five years prior to 1 August 2020). This applies even if the cost of the bicycle and safety equipment was less than €1,250 or, in the case of a pedelec or ebike, €1,500.</p> |
| Vouchers  | Employers can give employees one voucher per year up to a maximum of €500. This benefit must not be in cash. | One voucher can be provided tax free to the employee per year. Unused allowances cannot be carried forward. If this limit is exceeded the full value is subject to tax. |
| Company shares  | 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. |

| Benefit | Description | Irish payroll tax implications |
|---|---|---|
| Meals in canteen  | Employers can provide meals to employees in a canteen. | <p>Must be available to all employees to be tax free.</p> <p>If it is only available to certain employees, this is then regarded as a taxable benefit.</p> |
| Meal vouchers  | Providing staff with meal voucher. | The face value of the voucher less .19c per voucher must be treated as taxable income for the employee. |
| Seasonal parties and other events  | Events must be available to all employees. | <p>Tax free once expenses are reasonable and available to all employees.</p> <p>A BIK will also not arise where the employer incurs reasonable costs in hosting a virtual seasonal party for the employees, provided the event is open to all employees.</p> |
| Staff discounts  | Providing staff discounts to employees. | <p>Taxable if the cost to the employee is less than the cost incurred by the employer of providing the discount or if the goods can be easily exchanged for money.</p> <p>Not taxable if the employee pays the cost or over to the employer for providing the benefit.</p> |
| Mobile phone/ Broadband/ Computer equipment  | An employer may provide certain equipment to employees to enable them to work from home, such as IT equipment, telephone and related items. | Not taxable if the mobile phone/internet is for business use and private use is minimal. Likewise, equipment can be provided without deduction of tax if private use is minimal. |
| Car parking facilities  | Providing car parking for employees. | Currently exempt from tax - not deemed a BIK. |
| Exam/course fees  | Contributing to course and/or exam fees for an employee. | <p>This is not a taxable benefit if the course or exam is relevant to the business.</p> <p>If it is not relevant to the business, it will be taxable.</p> |
| Income protection  | Income protection benefits, 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 due to illness or injury for a prolonged period of time. | The insurance premiums payable by the employer are not subject to tax as a BIK to the employee. Salary benefited from Income protection is still subject to PAYE, USC & PRSI on payment. |
| Death in service benefits (Life Cover)  | Death in service benefits of a lump sum pay-out to the employees estate in the event of their death while in employment with the firm and can include spouses death in service pension, children's/dependent's pensions and orphan's 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. Allowable as a deduction against corporation tax for the employer. |
| Crèche facilities  | Provision of free or subsidised childcare facilities at work for employees. | This is regarded as a BIK to employees. Employees must pay income tax, USC and PRSI on this benefit. |
| Sports & recreational facilities  | Provision of facilities for use by staff. | <p>If facilities are provided on the employer premises and available to all staff not deemed a taxable benefit.</p> <p>If available to selected employees deemed taxable benefit.</p> <p>Where a corporate subscription membership to a sports or recreational facility is paid for employees, this is a taxable BIK and PAYE, PRSI and USC must be deducted.</p> |

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

The below are benefits that would not have any tax implications but could be provided in order 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.
-  Additional annual leave - The act provides annual paid leave entitlement of four weeks. Employers are free to grant additional leave days above the statutory requirements.
-  Maternity leave pay - the salary received is fully taxable.
-  Sick leave pay - the pay received is fully taxable.

Summary

There are many benefits which may be offered to employees as part of their overall remuneration package. Benefits can take the form of a cash benefit, for example, maternity leave or a non-cash benefit such as the cycle to work scheme. As you can see from above, the payroll tax treatment of each benefit will vary depending on the type of benefit in place.

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 do not hesitate to contact us.

Contact



Jillian O'Sullivan
Partner
T +353 (0)1 680 5850
E jillian.osullivan@ie.gt.com



Jane Quirke
Director
T +353 (0)91 532 481
E jane.quirke@ie.gt.com



Elaine Flynn
Associate Director
T +353 (0)91 53 2223
E elaine.flynn@ie.gt.com

Offices in Dublin, Belfast, Cork, Galway,
Kildare, Limerick, Longford and Isle of Man.



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