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Sending employees to work in Ireland

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Planning an Assignment

There are opportunities for employers to plan a tax efficient compensation and benefits package for employees assigned by their employers to work in Ireland by utilising the available tax reliefs and tax free expense regime. We at Moore are ideally placed to assist both employers and employees in planning an assignment and in dealing with compliance obligations.

This article sets out some brief information on the tax, social insurance and employment law considerations that should be taken into account when planning the assignment.

Right to Work

A non-EEA National, unless they are exempted, must hold a valid Employment Permit before starting work in Ireland.

There are nine different types of employment permit and these are issued by the Department of Enterprise, Trade and Employment.

Employer Payroll Obligations – Non-Irish Employment

The general rule is that irrespective of the tax residence of an employee or an employer, income from a non-Irish employment attributable to the performance in Ireland of the duties of that employment is chargeable to Income Tax in Ireland and is within the scope of PAYE (Irish payroll deduction tax).

There are however some exceptions to this rule:-

Short-term Business Visits – Less than 30 workdays

Where an employee is employed under the terms of a foreign employment contract and carries out employment duties in Ireland for no more than 30 workdays in aggregate in the tax year, those days may be disregarded.

More than 30 workdays but no more than 60 workdays

Where the employee is tax resident in a country with whom Ireland has a double taxation agreement and:

a) The employee is employed under the terms of a foreign employment contract;

b) The employee is not present in Ireland for a period or periods exceeding in the aggregate 183 days in a twelve month period, and

c) The wages were paid to the employee by the foreign employer, and

d) The foreign company does not have a permanent establishment or a fixed base in Ireland.

the days working in Ireland may be disregarded for Irish payroll

More than 60 workdays and not more than 183 days presence in Ireland

Where the conditions at (a) to (d) in the previous paragraph are satisfied the employer can apply to Revenue for a release from the obligation to deduct payroll taxes from the employee. The application for the release must be made within 30 days of the employees commencing work in Ireland.

Social Insurance

The liability to social insurance in Ireland will depend on the duration of the assignment and the country from where the employee was posted.

If the employee is assigned to Ireland from another EEA State the employee should be able to continue to pay social insurance in the 'home' country and the employer should apply for an A1 Portable Document. The A1 is valid for up to 24 months but can be extended.

If the employee is assigned to Ireland from a country with whom we have a Bilateral Social Security Agreement the employee can continue to pay social insurance in the 'home' country. The employer should apply for a Certificate of Coverage and this can last from 2 to 5 years depending on the Bilateral Agreement.

If an employee is assigned to Ireland from a country outside the EEA with whom we don't have a Bilateral Agreement the employee will be subject to Irish social insurance.

Tax Reliefs for Assignees

Special Assignee Relief Programme (SARP)

SARP is an Income Tax relief for individuals that have been assigned to work in Ireland by their employer provided certain conditions are satisfied. The employee can get an Income Tax deduction amounting to 30% of the remuneration that is in excess of €100,000 up to a limit of €1,000,000.

The remuneration qualifying for a tax deduction includes bonus, commissions, benefit in kind and share based remuneration.

Arrivals in Ireland should qualify for the relief where:

- The employee arrives to work for their employer or an associated company of their employer. The employer must be a company incorporated and tax resident in a country with which Ireland has a Double Taxation Agreement or an Exchange of Information Agreement.
- The employee must have been employed by the employer for 6 months prior to being posted to Ireland.
- The employee must carry out employment duties in Ireland for a minimum period of 12 consecutive months from the date he or she first performs those duties.
- The employee must not have been tax resident in Ireland for the 5 years preceding the year of arrival.
- The employee must be Irish resident for all years relief is claimed.
- The employee must have a minimum base salary of €100,000 per annum. The base salary is salary before bonus payments, commissions, benefits and share based remuneration.
- The employer must certify (Form SARP1A) within 90 days of the employee's arrival in Ireland that certain conditions to qualify for the relief are met.

In any tax year where SARP relief is due the following payment or reimbursement by the employer will not be chargeable to tax: -

- One return trip for the employee; spouse or civil partner and their children.
- The cost of school fees, not exceeding €5,000 per annum for each child of the employee and spouse or civil partner.

The relief is available for a maximum of 5 years.

Remittance Basis

Individuals who are tax resident in Ireland but who are not Irish domiciled should be able to keep certain foreign income outside the charge to Irish tax provided the income is not remitted to Ireland.

A tax resident, non-domiciled individual is chargeable to Irish income tax on:
- Irish source income;
- Foreign employment income to the extent that it relates to the employment duties carried out in Ireland. However, where foreign employment duties are exercised outside of Ireland, the income from such duties is only taxable in Ireland to the extent that the income is remitted to Ireland;
- Other foreign income to the extent that it is remitted into Ireland.

Prior to arrival in Ireland non-domiciled individuals should take advice on structuring their affairs to benefit from the remittance basis.

Split Year Relief

The benefit of Split Year Relief is that any employment income earned pre arrival in Ireland is not within the charge to tax in Ireland.

The relief applies where an individual is resident in Ireland for a tax year and:
- the individual was not resident in the preceding tax year; and
- satisfies Revenue that they are in Ireland with the intention and in such circumstances that they will be resident for the following year; they will be deemed to be resident for that year only from the date of arrival.

The relief only extends to employment income.

Reimbursement of Expenses

Accommodation and Subsistence

Subsistence may be paid or reimbursed free of tax for the first 12 months of a temporary assignment provided that the period of assignment to Ireland does not exceed 24 months. This is subject to the assignee and the assignment satisfying certain conditions.

The reimbursement of vouched expenses free of tax must not exceed the cost of reasonable accommodation and meals while on temporary assignment for twelve months. Reasonable accommodation includes hotel accommodation for an assignee for a twelve month period.

Where a spouse and children accompany an assignee to Ireland during the period of the temporary assignment, reasonable accommodation includes hotel accommodation for the spouse and children for the first month only of the assignment to facilitate the procurement of rented accommodation.

Alternatively a flat rate reimbursement of expenses based on the Civil Service schedule of rates can be paid to a temporary assignee free of tax.

Period of Assignment	Allowable Tax Free Subsistence
First 14 nights of the assignment	Up to the normal Civil Service rates
Next 14 nights of the assignment	Up to the Civil Service reduced rate
Next 28 nights of the assignment	Up to the Civil Service detention rate
Remainder of the assignment (up to a maximum of twelve months)	Vouched expenses subject to a maximum of three nights subsistence per week at the normal rate

Travel Expenses

The vouched cost of the journeys to and from Ireland at the beginning and end of the temporary assignment can be paid tax free.

The vouched cost of one return trip per year (for a maximum of two years) to the home location may also be paid or reimbursed free of tax and this applies to the assignee, his or her spouse and children.
In the case of an assignee whose spouse and children do not accompany him / her on temporary assignment, the cost of one return trip per year to Ireland for the spouse and children may be paid or reimbursed free of tax.

Relocation Expenses

Certain expenses may be reimbursed free of tax where an employee incurs the expense in moving to a new employment location and the payment made by the employer towards the expenses results in no net overall benefit to the employee

The types of expenses which can be reimbursed without giving rise to a charge to tax include:
Removal of furniture and effects; Storage charges; Insurance of furniture and effects in transit or in storage; Cleaning stored furniture; Travelling expenses of removal.

Permanent Establishment

The assignee's role in Ireland should be reviewed to establish whether this will create Corporation Tax or VAT compliance obligations for the employer.

Article by: Padraig ODonoghue, Global Mobility Services

Our Services

Employer

- Advise on tax equalisation and tax protection policies;
- Advise on employee salary and benefits package;
- Social insurance planning;
- Operate shadow payroll;
- Assist with tax compliance obligations.

Employee

- Prepare personal tax returns;
- Advise on the application of tax reliefs and tax treaty benefits.

For further information on assignments to Ireland contact:

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