



Sending Employees to Ireland

KPMG Global Mobility Services



There are numerous factors for an employer to consider before making the decision to send one of its employees to work in Ireland on a commuter, assignment or permanent transfer basis.

In an increasingly regulated and compliance focused economic climate, it is crucial that an employer considers all areas from taxation and social security, to immigration and pension implications before sending its employees to Ireland.

This brochure provides a summary of some of the issues an employer might want to address when considering transferring employees to Ireland.

Overview of Factors to Consider

1. Does the individual require a visa or work permit to work in Ireland?
2. Will the employee's presence in Ireland give rise to a charge to Irish payroll taxes?
3. What are the tax registration requirements for the foreign entity and its employee being sent to work in Ireland?
4. Will the employee/employer be required to pay Irish social security in respect of the employee's employment earnings?
5. Will the individual be entitled to tax relief in Ireland in respect of the employee and employer contributions to a foreign occupational pension scheme?
6. What level of subsistence can the employer pay to the employee without a charge to Irish tax arising?
7. Can the costs incurred in relation to relocating to Ireland be reimbursed to the employee tax free?
8. Should the employer implement a standard assignment policy to govern all assignments?
9. Can a charge to Irish tax arise in respect of equity based compensation after the individual has left Ireland?

10. Are there any specific reliefs from Irish tax available to the employee in respect of their employment income and who should benefit from any cost savings generated (the employer or the employee)?

11. Are there any corporate tax implications arising as a result of the employee being sent to work in Ireland?

12. What VAT implications arise as a result of the employee carrying out business activities in Ireland?

Factors to Consider

1. Does the individual require a visa or work permit to work in Ireland?

Employees sent to work in Ireland from outside the European Economic Area (EEA) may require a work permit or visa.

Individuals may have to meet a salary threshold and labour needs test depending on what permit is required. Further information is available from our immigration team at KPMG.

2. Will the employee's presence in Ireland give rise to a charge to Irish payroll taxes?

The level of workdays performed by an employee in Ireland during the tax year plays an important role in:

- a. Determining the employee's charge to tax in Ireland
- b. The employer's obligation to operate Irish payroll taxes on foreign employment income
- c. The individual's Irish residency position for personal tax purposes

“It is crucial that an employer considers all areas from taxation and social security, to immigration and pension implications before sending its employees to Ireland.”

It is therefore paramount that the employee keeps a record of all time spent in Ireland for both work and personal purposes.

Depending on the individual's level of workdays in Ireland, an exemption from Irish payroll taxes may be available. In some cases, Pay As You Earn (PAYE) clearance must be obtained from Revenue before the exemption can be followed.

- i) If individual is resident of a country with which Ireland does not have a Double Taxation Agreement (DTA)

Length of Time in Ireland	Irish PAYE Position
< 30 workdays in tax year	No PAYE issues arises
> 30 workdays in tax year	PAYE to be operated

- ii) If individual is resident of a country with which Ireland has a DTA e.g. UK, US

Length of Time in Ireland	Irish PAYE Position
< 60 workdays in tax year	In certain circumstances, no PAYE is required but only if specific conditions are met*
> 60 workdays but not > 183 days in total in tax year	PAYE to be operated unless PAYE clearance is obtained from Revenue
> 183 days	PAYE to be operated

NB: Please note distinction between days and workdays

*Revenue issued revised guidelines in December 2016 which increase employer PAYE obligations where foreign employees are under the direction and control of an Irish company and where costs are recharged to an Irish entity. see our Update to Irish PAYE Obligations on Kpmg.ie/gms

3. What are the tax registration requirements for the foreign entity and its employee being sent to work in Ireland?

Where a charge to Irish payroll taxes arises, it will be necessary for the foreign entity to register with the Irish Revenue for Irish payroll taxes. Specific forms must be completed and submitted to Irish Revenue in this regard. It is also possible that the foreign entity will need to register for PAYE in Ireland where an application is being made for PAYE clearance for an employee.

Information required to apply for a PAYE registration number includes, but is not limited to:

- Full name and address of the foreign entity
- Details regarding the type of business carried out by the entity
- Number of employees
- Names, addresses and shareholdings of all directors, company secretary and any shareholders with a 30% or more interest in the company

Where an Irish payroll tax obligation arises in respect of the employee, the employee will be required to:

- Obtain an Irish social security number known as a PPS Number
- Register for Irish taxes with the Irish Revenue
- Apply for an Irish Tax Credit Certificate

4. Will the employee/employer be required to pay Irish social security in respect of the employee's employment earnings?

In cases where individuals have any cross border working arrangements, the social security position can be very complicated.

Employees coming to Ireland from within the EU

EU regulations exist which ensure that an individual working between EEA Member States (and Switzerland) is only required to pay social security in one Member State. In general, an employee coming to work in Ireland from another Member State would be entitled to continue contributing to the home country social security system for up to five years. It is also necessary for the foreign employer to apply to the relevant authorities in the home country for a certificate of retention (A1/S1 certificate) which ensures that no charge to Irish social security will arise.


Employees coming to Ireland from outside the EEA (and Switzerland)

Individuals coming to Ireland from other locations may benefit from bilateral arrangements between Ireland and several countries such as the US, Canada, Australia and New Zealand. These also enable the employee to remain within their home country social security system for a specific period of time, normally up to 5 years. After this period, the individual should start contributing to the Irish social security system.

Where an employee is being posted from a country with no bilateral agreement, consideration will need to be given as to whether a dual social security exposure arises to ensure that the additional employer costs which may arise are taken into account.

5. Will the individual be entitled to tax relief in Ireland in respect of the employee and employer contributions to a foreign occupational pension scheme?

Where the employee is a member of the home country pension scheme, consideration needs to be given to whether the employee and employer pension contributions are tax deductible in Ireland. If the pension contributions are unapproved for Irish tax purposes, not only will the employee not receive any income tax relief in Ireland for their contributions but a benefit in kind charge will arise in respect of the employer pension contributions.



6. What level of subsistence can the employer pay to the employee without a charge to Irish tax arising?

It is possible to reimburse the expenses of an assignee sent to work in Ireland tax free either by way of a flat rate allowance in line with Revenue civil service rates or on a vouched basis where certain conditions are met. Tax free subsistence cannot be provided for greater than 12 months and is only available where the assignment is expected to last for 24 months or less. If this is not the case, any expenses reimbursed should be taxed in full via the Irish payroll system.

7. Can the costs incurred in relation to relocating to Ireland be reimbursed to the employee tax free?

It is possible to reimburse certain relocation expenses incurred by an individual in coming to Ireland to work on assignment without the deduction of Irish tax. This includes:

- The removal and transport of furniture
- Storage costs
- Costs of temporary subsistence while looking for accommodation at the new location
- Auctioneer/solicitor's fees and stamp duty costs associated with moving

8. Should the employer implement a standard assignment policy to govern all assignments?

In the absence of a standardised assignment policy, varying ad hoc arrangements can be put in place from one assignment to the next which can lead to inconsistencies and perceived inequalities across the internationally mobile population with regard to benefits to be provided, tax policy etc.

Implementing a global assignment policy can reduce or remove these inequalities by establishing a standard set of terms and conditions for all assignments. This may include:

- Details of the benefits/allowances to be provided to individual in the home and host country
- Details of any relocation assistance provided pre or post assignment
- Whether the employer will cover the cost of any taxes arising in the host location on either employment income, personal income or both
- Whether the company will cover the cost of tax return preparation in the home/host country

Tax policies which may be implemented include:

a. Tax Equalisation Policy

- The most common type of policy which operates by ensuring that an assignee is neither advantaged nor disadvantaged from a tax perspective as a result of going on assignment.

b. Tax Protection Policy

- Allows the assignee to benefit financially from being sent to a lower tax jurisdiction but at the same time, the assignee will not be disadvantaged from a tax perspective on going to a higher tax location.

9. Can a charge to Irish tax arise in respect of equity based compensation after the individual has left Ireland?

Where an individual has been on assignment in Ireland, it is important to note that a charge to Irish tax and sometimes payroll taxes, can remain in respect of certain types of equity based compensation. This is irrespective of the fact that the individual is no longer working or residing in Ireland at the date they become the beneficial owner of the equity. This is of particular significance in the case of share options as the Irish tax treatment will, in general, depend on the number of workdays the individual performed in Ireland during the vesting period rather than his residency position at date of grant/ exercise of the option.

10. Are there any specific reliefs from Irish tax available to the employee in respect of their employment income?

A specific relief is available to certain individuals who come to work in Ireland which operates by reducing the individual's taxable employment income (by up to 30%) for the purpose of calculating the charge to Irish income tax. This relief is known as Special Assignee Relief Programme (SARP) and can be granted via the payroll system once approval is obtained from the Irish Revenue.

Certain conditions must be met to avail of the relief and it is necessary for the employer to apply within 30 days of the employee's arrival to Ireland to qualify for this relief. For more information see our SARP brochure.

11. Are there any corporate tax implications arising as a result of the employee being sent to work in Ireland?

Where an employee of a foreign entity is sent to perform duties of their employment in Ireland, careful consideration should be given as to whether their activities could create a Permanent Establishment (PE) for the foreign entity in Ireland. Where a PE is created, any profits attributable to that PE could be taxable in Ireland.

12. What VAT implications arise as a result of the employee carrying out business activities in Ireland?

Where an employee is carrying on the activities of a foreign entity's business in Ireland, consideration should be given to the VAT implications of all cross border transactions both in the home country and Ireland.



How can we help?

The goal of KPMG's Global Mobility Services team is to help employers manage the transfer of its employees to Ireland in a way that is cost effective and compliant with tax legislation in both the host and home country locations.

Our Global Mobility team will guide you through the entire process from start to finish, helping you with:

- Immigration
- Social Security
- Tax Compliance
- Assignee Management
- International HR Services
- Payroll Services
- Assignment Policy Design

When you partner with KPMG to deal with your Global Mobility requirements, you will also receive access to our advanced suite of tools and technologies, including:

- KPMG Link for Assignees
- KPMG Link for Program Managers
- KPMG Travel Tracker

You can find out more about these tools by visiting:

[Kpmg.ie/gms](https://kpmg.ie/gms)

To find out more about how our Global Mobility services can help your company, contact Michael Rooney.



Michael Rooney

Head of Global Mobility Services

KPMG in Ireland

t: +353 1 700 4061

e: michael.rooney@kpmg.ie



kpmg.ie

© 2017 KPMG, an Irish partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Ireland.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

If you've received this communication directly from KPMG, it is because we hold your name and company details for the purpose of keeping you informed on a range of business issues and the services we provide. If you would like us to delete this information from our records and would prefer not to receive any further updates from us please contact leona.crean@kpmg.ie or phone +353 1 700 4868.

Produced by: KPMG's Creative Services. Publication Date: March 2017. (2631)