KPMG

Special Assignee Relief Programme ("SARP")

Update for those arriving post 1 January 2017

The Special Assignee Relief Programme ("SARP") was introduced in Finance Act 2014 and applied with effect from 1 January 2015. The regime seeks to encourage the relocation of key talent within organisations to Ireland and originally applied to those arriving in Ireland in any of the three tax years 2015, 2016 and 2017. This was extended in Finance Act 2016 to also include those arriving during the tax years 2018, 2019 and 2020. The relief is available for up to five consecutive tax years from first arrival in Ireland subject to meeting the conditions outlined below.

How does an employee qualify for the relief?

In order to qualify for SARP, the following conditions must be satisfied:

- The individual must be an employee of:
  a. company incorporated and tax resident in a country with which Ireland has a Double Taxation Agreement or an Exchange of Information Agreement (a "relevant employer") or
  b. an associated company of a relevant employer.
- The employee must have been employed by a relevant employer for 6 months prior to arriving in Ireland.
- The employee must not have been tax resident in Ireland for the 5 tax years preceding the year of arrival.
- The employee must arrive in Ireland to work in any of the tax years 2015 to 2020, inclusive.
- The employee must be Irish resident but may be resident elsewhere. If not Irish resident in the year of arrival relief may start from the following year.
- The employee must have a minimum base salary of €75,000 per annum.
- The employer must certify within 30 days of the employee's arrival in Ireland that certain conditions to qualify for the relief are met.

How does the relief work?

The relief operates on the basis of providing a deduction from remuneration based on a formula as follows:

$$(A-B) \times 30\%$$

Where:

A = Total remuneration of the employee

B = €75,000

Where an employee arrives or leaves Ireland mid year, "B" is reduced proportionately.

The relief only applies to income tax, ie. no relief from USC or PRSI is available. Employees who qualify for the new regime can recover the cost of one return trip for their family to their home country from their employer tax free and can also have Irish school fees (of up to €5,000 per annum for each child) paid by the employer tax-free.

SARP relief can be claimed either by:

i) The employee making a claim for the relief after the end of the relevant tax year by filing a tax return to the relevant local tax district, or

ii) An employer can make an application to Revenue so that the relief is to be given at source via the payroll system.

Reporting

An employer must provide by 23 February following the tax year an annual return setting out a qualifying employee's PPS number, nationality, prior country of residence, job title and role. In addition, the annual return must set out the increase in number of employees employed or retained as a result of qualifying employees working in Ireland.

Possible hurdles in qualifying for the relief

There can be some difficulties in practice for an individual to meet all of the conditions to qualify for SARP.

1. Direct New Hires

The SARP regime does not apply to new hires with no previous group employment history. This can impose practical difficulties whereby a company wishes to directly recruit key employees to develop its Irish business.

2. Income Threshold

The employee must have a minimum income level of

€75,000 p.a. to qualify. This deminimus cannot include bonuses, benefit in kinds or share options. This can make it difficult for certain employees to benefit from the relief especially if their pay is variable or equity forms a large component.

Next steps for posted workers

- Review your assignment policy in light of the extension of the relief for arrivals up to 2020
- Consider the make-up of the compensation packages to be delivered to an assignee.
- Review contracts and policies from an employment law perspective.
- Prepare cost projections for employees on the likely net impact of moving to Ireland incorporating SARP relief. This would be especially relevant for employees responsible for their own taxes.

If you would like further information on the SARP regime, please contact a member of our Global Mobility team.

Contact us

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