KPMG

Sending Employees to Ireland

In an increasingly regulated and compliance focused climate, more than ever, it is important that both employers and employees are aware of their obligations when moving to Ireland. This brochure highlights some of the primary considerations.

Immigration

Before coming to Ireland, non-EEA citizens must ensure that they have the necessary permission to live and work here.

For individuals coming to Ireland to work, the type of work permit required is dependent on their specific facts and circumstances. Please refer to our Irish Immigration Law flyer for further information – it can be found here.

Irish Tax Residence

The Irish tax system is residence-based, so an individual's residency status dictates how they are taxed in Ireland. An individual will be regarded as resident in Ireland for a tax year if they:

- Spend 183 days or more in Ireland in that tax year; or
- Spend 280 days in Ireland in total across two consecutive tax years*

Note that the Irish Tax Year is the calendar year (i.e. 1 January - 31 December).

** If an individual is present in Ireland for 30 days or less in any tax year, they will be considered non-resident unless they elect otherwise.*

Where an individual is tax resident in the year of arrival, and intends to remain tax resident in the subsequent year, they are able to split the year for tax purposes (i.e. into a period of residence and a period of non-residence). This provision means that earnings from an employment exercised outside of Ireland pre-arrival should be outside the scope of Irish tax. Note that split year treatment applies to employment income only.

An individual's Irish tax position is also dictated by their "Ordinary Residence" and "Domicile" status:

Ordinary Residence

An individual who has been tax resident in Ireland for three consecutive years becomes ordinarily resident from the beginning of the fourth tax year.

Domicile

Whilst domicile is not defined in the Irish Tax legislation, case law gives guidance, and generally, an individual's domicile status is dictated by the place they consider to be their permanent homeland. Domicile is considered a strong connection, and unlike tax residency, an individual can only have one domicile. By default, an individual normally inherits their father's domicile status at birth - this is known as their "Domicile of Origin". Only where an individual can demonstrate that they have severed ties with their Domicile of Origin will their domicile status change, and this is known as "Domicile of Choice".

Basis of Irish Income Tax

STATUS	DOMICILED INDIVIDUAL	NOT DOMICILED INDIVIDUAL
Resident	Worldwide income	Irish source income and foreign income remitted* to Ireland
Not Resident but Ordinary Resident	Irish source income, foreign employment income where duties are performed in Ireland and foreign income exceeding €3,810 p.a.	Irish source income, foreign employment income where duties are performed in Ireland and foreign income remitted to Ireland
Not Resident and Not Ordinary Resident	Irish source income only	Irish source income only

** whilst the remittance rules can be complex, at a high level, foreign income that is brought into or spent in Ireland is deemed to be remitted.*

Domicile Levy

A domicile levy is payable by individuals who are Irish-domiciled, whose worldwide income exceeds €1 million for the tax year, whose Irish income tax liability was less than €200,000 for the tax year, and whose Irish located property is greater than €5 million in value on the valuation date in the tax year.

The maximum levy amount is €200,000 and is collected via the year-end tax return. The levy is reduced by the income taxes paid for the tax year.

Employment Income

If you exercise employment duties in Ireland, the income is Irish sourced, and so is taxable* in Ireland irrespective of residence, ordinary residence or domicile status. In most instances, your employer has an obligation to withhold and remit income tax, Universal Social Charge "USC" and Social Security to the Irish authorities each pay period through the Pay As You Earn "PAYE" mechanism.

To ensure that the right amount of tax is deducted via PAYE, the below three step registration process should be followed as soon as possible following arrival:

1. Register for MyGovID and select "Sign Up To MyGovID Now"
2. Obtain an Irish PPS number which is a unique identification number for tax and social security purposes. From 1 January 2021, the PPSN application process has moved online, and applications should now be made via MyWelfare.ie.
3. Once a PPS number has been obtained, individuals are required to register as an Irish taxpayer online via the following steps:
   i. Set up an account with Irish Revenue Online Service (ROS). This can be accessed from individual's MyGovID account.
   ii. Register for "Tax Credit Certificate" on ROS. Approximately a week after the registration is completed, Irish Revenue will send a copy of the Tax Credit Certificate (TCC) to the individual's online Irish Revenue account. A Revenue Payroll Notification (RPN) will also be available to the employer. This will ensure that the correct amount of tax is deducted through payroll.

As a general rule all remuneration arising from an employment, whether in-cash or in-kind, is taxable, and subject to withholding via PAYE. Tax and social security are calculated based on total remuneration, in accordance with the tax rates summarised below.

By default, benefits-in-kind are taxed according to the cost to the employer, but there are special rules in some instances e.g. company cars.

There are few exempt benefits – the main example is contributions by an employer to an Irish Revenue approved pension scheme (see below for further information).

** The requirement to operate PAYE may be relaxed in the case of employees temporarily working in Ireland. The rules are complex, so please contact KPMG Ireland should you need any guidance in this regard.*

Equity Awards

There are special rules for the taxation of Share Options and Restricted Stock Units "RSUs" in Ireland. Please see our Equity guide for further details.

Income Tax and Universal Social Charge "USC"

Income Tax

The current rates of Irish Income Tax are summarised below:

RATE BANDS	2023 €
20% tax rate applies up to the following amounts	
Single / Widowed	€40,000
Married	€49,000
Married (two incomes)	€80,000
One Parent	€44,000
40% tax rate applies on excess of the above amounts	

As highlighted above, in the case of employment income, tax is collected each pay period via PAYE. In the case of other income, it is collected in a lump sum each tax year under self-assessment.

Ireland has a tax credit system for calculating income tax. Once the income liable to Irish tax has been identified, the tax is calculated and any tax credits available are deducted from it. The most common credits for employees are set-out below:

TAX CREDIT	2023 €
Single Person	€1,775
Married Person or Civil Partner*	€3,550
Employee PAYE Tax Credit	€1,775

**applicable to joint assessment (see below)*

USC

USC is payable by all individuals whose gross income exceeds €13,000 per annum. Once the €13,000 threshold has been exceeded, USC applies to total income. USC is a separate charge to income tax and no reliefs (including pension contributions and SARP - see below) or tax credits reduce the charge. The current USC rates are summarized below:

USC (INCOME EXCEEDING €13,000)	2023 %
€0 - €12,012	0.5%
€12,013 - €22,920	2%
€22,921 - €70,044	4.5%
Above €70,044	8%

An additional surcharge of 3% applies to non-employment income over €100,000.

Social Security

Irish Social Security contributions are known as Pay Related Social Insurance (PRSI) contributions. Both employee and employer PRSI contributions are payable, and there is no cap on the contributions. In the case of employees, PRSI is collected through the PAYE system. The current rates are summarised below:

PRSI	LIMIT	2023 %
Employer	€21,320 (€410 x 52) since 1 January 2022.	8.8%
Employer	Applies to all income* where income exceeds €21,320	11.05%
Employee	No limit	4%
Self-Employed	No limit	4%

**share based remuneration is outside the scope of employer PRSI*

Ireland has reciprocal Social Security Agreements with a number of countries, including all EEA member states. These agreements can relax the requirement to apply PRSI in the case of employees temporarily working in Ireland.

Do I need to file an Irish Tax Return?

Most employees have no obligation to file a tax return in Ireland – tax is collected via PAYE, and the employer is responsible for Real Time Reporting each month. Some notable exceptions to this rule are:

- Directors of Irish companies
- Individuals who have income or gains not captured via PAYE
- Taxpayers who exercise share options in a tax year
- Employees that avail of SARP relief (irrespective of whether the relief is granted via payroll)

Individuals meeting any of the above criteria have a statutory obligation to file a Tax Return

The filing and payment deadline for Irish Tax Returns is 31 October following the end of the tax year i.e. the filing/payment deadline for the 2022 tax year is 31 October 2023.

Spouses and civil partners have three choices as to how they are assessed to income tax and how the income tax returns are filed:

1. Joint assessment – aggregates the income, tax reliefs/ credits and rate bands
2. Separate assessment – each spouse is taxed as a single person during the year but the tax credits, reliefs and rate bands can be transferred between spouses like in joint assessment
3. Single person assessment – each spouse pays tax which is computed on an individual basis

Employment Income Tax Reliefs

Pension Contributions

As highlighted above, employer contributions to a Revenue approved pension plan are not taxable.In addition, an individual gets income tax relief for contributions to such schemes. Tax relief for employee contributions is capped, and there are two limiting factors:

1. age-related earnings percentage limits as specified in the table below:

AGE	PERCENTAGE LIMIT OF INDIVIDUAL'S EARNINGS IN A TAX YEAR
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60 or over	40%

2. a total earnings limit – the maximum amount of earnings taken into account for calculating tax relief is currently €115,000 per year.

For example, an employee who is aged 42 and earns €140,000 can get tax relief on annual pension contributions up to €28,750 (25% x €115,000). Note that pension relief applies to income tax only i.e. it does not apply for USC and PRSI purposes.

SARP

The Special Assignee Relief Programme (SARP) is available to some employees who come to work in Ireland. A number of conditions must be met for the relief to apply, but where applicable, an individual's taxable employment income in excess of €100,000 is reduced by 30% (prior to 1 January 2023, this was €75,000).

Importantly, where SARP applies, employers must make an application within 90 days of the employee's arrival to Ireland. As with pension contributions, the relief applies to income tax only i.e. no relief for USC or PRSI.

For more information see our SARP guide.

FED

Irish tax residents who work regularly in certain non-EU countries may be eligible for tax relief on these workdays. This relief is known as the Foreign Earnings Deduction (FED), and applies to employees who have at least 30 "qualifying days" in "relevant states". It is capped at €35,000 per annum.

For more information (including a list of the qualifying countries), please see our FED brochure.

Medical Expenses

Tax relief is available for certain medical expenses at the standard rate (i.e. 20%). The expense must be substantiated, so all receipts should be retained.

Taxation of Investment Income

Rental Income

Rents derived from Irish property are liable for Irish taxes irrespective of the residency position of the recipient. Most expenses incurred in renting the property are deductible when calculating taxable rental income, with the common deductions being:

- Letting agency fees
- Repairs and maintenance costs
- Property management fees
- Insurance premiums
- Mortgage interest repayments

Capital Allowances may be claimed in the case of furnished properties to allow for depreciation. This is more commonly known as "wear and tear" relief, and can be claimed at a rate of 12.5% per year on the costs of fixtures and fittings, for up to 8 years.

For resident and domiciled individuals, rents from worldwide properties are subject to Irish taxes (subject to certain exemptions). Individuals who are resident but not domiciled in Ireland will be taxed on Irish rental income in full, and rents derived from other foreign properties if remitted to Ireland.

Rental income received needs to be reported on the individual's annual tax return and is taxed at the marginal tax rate.

Dividend and Interest Income

Dividend and interest income are taxable as part of total income.

Dividends from Irish resident companies carry a tax credit in the form of dividend withholding tax (20%), which is included in total income but is deductible from income tax payable.

Interest paid by Irish banks, building societies, and similar financial institutions are subject to Deposit Interest Retention Tax (DIRT) (33% for 2023). No additional income tax is payable on the interest regardless of the individual's marginal tax rate.

Individuals who are resident but not domiciled in Ireland will only be taxable on overseas dividend and interest income to the extent that the income is remitted into Ireland. USC will also apply in respect of remitted dividend and interest income.

Capital Gains Tax (CGT)

Irish CGT is due on any gain arising on the disposal of an asset i.e. the difference between the sales proceeds and the inflation adjusted acquisition cost.

The first €1,270 of a gain is exempt from CGT for each individual and the ordinary rate of CGT is 33%.

An Irish resident or ordinarily resident and domiciled individual is liable to Irish CGT on the gains arising on the disposal of chargeable assets worldwide.

A non-Irish domiciled individual who is resident or ordinarily resident is liable to CGT on: 1) gains arising on the disposal of chargeable assets in Ireland at the time of disposal; and 2) remittances into Ireland of proceeds of gains from the disposal of assets situated outside of Ireland.

Exempted assets from CGT include an individual's principal private residence (but not a second home), Irish government securities, most life assurance policies, tangible movable assets with a predictable life of less than 50 years (such as a racehorse).

CGT arising in respect of disposals made in the period from 1 January to 30 November is due for payment by 15 December of that year. CGT arising on disposals made in the period from 1 December to 31 December is due for payment by 31 January in the following year. The acquisition and disposal of chargeable assets must be reported on the annual tax return.

Local Property Tax (LPT)

Local Property Tax is an annual tax payable in respect of residential property owned by the individual. The tax is paid via individual's tax return.

The LPT liability is calculated by applying a charge for the relevant band, which can be found here.

Residential properties valued over €1,750,000 are assessed on the actual value at 0.1029% on the first €1,050,000, at 0.25% on the portion of the value between €1,050,000 and €1,750,000 and 0.3% of the portion of the value above €1,750,000.

LPT can be paid in one single payment or the payments can be spread over the tax year. Individuals also have the option for LPT to be deducted from their salary.

Value Added Tax "VAT"

VAT is a tax on consumer spending, and is applied to most goods and services supplied in Ireland. The standard VAT rate is 23%.

Capital Acquisition Tax "CAT"

Capital Acquisition Tax is charged at 33% on gifts or inheritances. There are Group Thresholds which serve to limit the CAT payable depending on the relationship between the disponer and the beneficiary. Given the complexity, and the potentially significant tax liability professional advice is recommended in this regard.

Whilst the above captures some of the key considerations when living and working in Ireland, it is not exhaustive, and additional taxes/levies can apply.

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