



Revenue 

Employer's Guide
to operating
PAYE and **PRSI**
for certain benefits

Should you require any information or assistance in relation to the matters dealt with in this Guide please phone Lo-call 1890 25 45 65.

This Guide gives practical guidance and is not intended to provide a legal interpretation of the legislation involved.

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Chapter 1 - Introduction

1.1 Introduction

With effect from **1 January 2004**, PAYE, PRSI and the Health Contribution must be operated by employers in respect of the taxable value of most benefits-in-kind and other non-cash benefits provided by them for their employees.

1.2 New Arrangements

This Guide provides employers (including persons treated as such) with information on the main benefits-in-kind and other non-cash benefits to which the new arrangements apply. The Guide assists employers in determining -

- the amounts to be taken into account in calculating the PAYE, PRSI and Health Contribution liabilities, and
- the pay period(s) in which to take such amounts into account.

The amounts to be taken into account are referred to as **"taxable benefits"** or **"notional pay"**.

1.3 Benefits to which the new arrangements do not apply

The Guide also identifies (in *paragraph 2.3* and relevant paragraphs of *Chapter 10*) benefits to which the new arrangements do not apply.

1.4 Use of terms "employees" and "PRSI" in this Guide

All references in this Guide to "employees" include references to directors unless otherwise stated. In addition, references to "PRSI" include references to Employers' PRSI and to the Health Contribution.

1.5 Lo-call number for information or assistance

Should you require any information and assistance in relation to the matters dealt with in this Guide please phone Lo-call 1890 25 45 65.

1.6 Legal Disclaimer

This Guide gives practical guidance and is not intended to provide a legal interpretation of the legislation involved.

Chapter 2 - Overview of New System

2.1 Background

2.1.1 Subject to certain exceptions which are set out in this Guide, benefits-in-kind (e.g. private use of a company car, free or subsidised accommodation and preferential loans) received from an employer, by an employee whose total remuneration (including benefits-in-kind) is €1,905 or more in a tax year, are taxable. Where the employee receiving such benefits is a director of the company concerned, the benefits are taxable regardless of the level of remuneration. The liability to tax also applies in respect of benefits provided by an employer for a member or members of an employee's family or household.

2.1.2 In addition, employees and directors are chargeable to tax in respect of "perquisites" from their employment, that is, remuneration in non-money form which is convertible into money or money's worth, e.g. vouchers in various forms, the payment of club subscriptions and medical insurance premiums on an employee's behalf.

2.1.3 For ease of reference, benefits-in-kind *and* perquisites are, subsequently in this Guide, collectively referred to as "benefits".

2.1.4 PAYE and PRSI were not applied to benefits provided before 1 January 2004. Instead the income tax due was collected by way of "coding-in" under the PAYE system, i.e. the employee's reliefs for use against "money" wages and salaries were restricted so as to increase the tax payable to the extent required to collect the tax on the benefits. **This procedure no longer applies to most benefits after 31 December, 2003.**

2.2 Summary of Procedures which apply from 1 January, 2004

2.2.1 The procedures which apply from 1 January, 2004 to collect tax on benefits are as follows (by virtue of section 6 of the Finance Act, 2003 and sections 16 to 21 of the Social Welfare (Miscellaneous Provisions) Act, 2003):

2.2.1.1 Income tax due on benefits must be collected by the employer through the operation of PAYE on the taxable value of the benefit.

2.2.1.2 PRSI is due on benefits and must be collected by the employer through the operation of PRSI on the taxable value of the benefit.

2.2.1.3 The notional pay liable to PAYE and PRSI in respect of benefits must be the **best estimate** (please see paragraph 3.1) that can reasonably be made by the employer, at the time the benefit is being provided, of the amount chargeable to tax in respect of the benefit.

2.2.1.4 Where the amount of the money wages or salary payable to an employee is insufficient to collect the full amounts of PAYE and PRSI due on the notional pay, the employer is required to remit any shortfall, by reference to the full PAYE and PRSI due, in addition to the amounts collected from the money wages or salary.

2.2.1.5 Any shortfall, in PAYE (but not PRSI) collected from money wages or salary, which is paid by the employer for a tax year (the "first" tax year) but not made good by the employee to the employer by the end of the tax year (concessionally extended to 31 March of the following year) will be regarded as a taxable benefit of the employee in the following tax year (i.e. the tax year following the first tax year) and subject to PAYE and PRSI.

2.2.2 Where as respects benefits provided to employees, -

- the amount which an employer is liable to remit to the Collector-General is in excess of the amount of tax which he or she has deducted or accounted for (in the case of insufficiency of money wages or salary, see *paragraph 3.3*), and
- it is established that the amount deducted or accounted for was in accordance with the best estimate that could reasonably have been made by the employer **when the benefits were being provided,**

the Revenue Commissioners may direct that the amount of the excess should be recovered from the employees. Where they so direct, the employer will not be liable for the balance due.

2.2.3 **PAYE and PRSI must be applied to all benefits apart from the exceptions specified in**

- **paragraph 2.3 below**
- **and the relevant paragraphs of Chapter 10 of this Guide.**

2.3 Small benefits

Where an employer provides an employee with a small benefit [that is, a benefit with a value not exceeding €250 (€100 prior to 1 January 2005)] PAYE and PRSI need not be applied to that benefit. **No more than one** such benefit given to an employee in a tax year will qualify for such treatment. Where a benefit exceeds €250 (€100 prior to 1 January 2005) in value the **full** value of the benefit is to be subjected to PAYE and PRSI.

Chapter 3 - Application of PAYE and PRSI to Benefits

3.1 Best Estimate

- 3.1.1 PAYE and PRSI are to be applied by the employer to the best estimate that can reasonably be made of the amount of the notional pay or taxable benefit that is chargeable to income tax in respect of a benefit provided to an employee.
- 3.1.2 In many instances, the employer will be aware of the expense incurred in providing benefits and the value of the benefits. In these circumstances, determining the amount chargeable to income tax will generally be relatively straightforward (*Please refer to Chapter 4*). It will not be necessary for the employer to estimate amounts involved. For example, where the employer pays medical insurance or club subscriptions on behalf of an employee the precise amount to which PAYE and PRSI is to be applied will be known.
- 3.1.3 Chapters 5 to 10 explain how to arrive at the amount of the taxable benefit (the notional pay) in the case of the following :
- company cars – Chapter 5
 - company vans – Chapter 6
 - free or subsidised accommodation – Chapter 7
 - free use of assets (other than accommodation, company cars, vans etc.) – Chapter 8
 - preferential loans – Chapter 9
 - other benefits – Chapter 10
- 3.1.4 In the case of benefits where the expense incurred or value is not immediately evident and which are outside the scope of *Chapters 5 to 10*, the **best estimate** should be determined by the employer in a common sense fashion having regard to the general rule set out at *paragraph 4.1 in chapter 4*, the facts of the case and the nature of the benefit provided.

3.2. Application of PAYE and PRSI to Notional Pay

The employer's best estimate of the taxable value of a benefit is to be treated as notional pay in the pay period in which the benefit is provided and must be added to the money wages or salary for that pay period. It is the aggregate of the money wages or salary payment and the notional pay which must be used for the purposes of calculating PAYE and PRSI for that pay period. For example, if in a particular pay period an employee receives money wages or salary of €300 plus a voucher representing notional pay of €150, the pay for that period for PAYE and PRSI purposes is €450.

The employee's PAYE and PRSI liability, in respect of the €450, must be deducted from the money wages or salary for that pay period. **In addition, employers' PRSI is also due on the €450.**

3.3. Insufficient Money Wages or Salary in Pay Period

- 3.3.1 Where, due to an insufficiency of money wages or salary in a pay period, all or part of the tax and PRSI due for that period in respect of the aggregate of money wages or salary and the notional pay cannot be deducted, **the employer must pay** the Collector-General any tax and PRSI which the employer is required, but unable, to deduct.

Example 1

An employee receives money wages of €300 plus a holiday voucher representing notional pay of €1,200 on 7 January 2004. The employee's liability for the pay period is:

Aggregate payment (€300 + €1,200) =	€1,500.00
PAYE due	€466.92
PRSI (employee) due	€82.38
Total employee liability	€549.30

After deducting the employee's PRSI liability of €82.38 from the money wages, only €217.62 is left to meet the tax of €466.92. In the absence of any direct payment by the employee to the employer, this leaves a shortfall of €249.30 or more. Nevertheless, the entire employee liability of €549.30 must, together with the employers' PRSI of €161.25, be paid to the Collector-General by the employer at the time the employer ordinarily remits the PAYE and PRSI deducted from employees for the pay period, i.e. 14 February 2004. [€549.30 must be paid by the employer in respect of the employee liability regardless of whether the amount deducted by the employer is €217.62 or a lesser amount.]

- 3.3.2 The employer may of course arrange with the employee to recoup from subsequent money wages or salary any part of the employee liability paid by the employer to the Collector-General that was not already deducted from money wages or salary (or otherwise recovered from the employee, e.g. by direct payment by the employee to the employer).

3.4 Employee fails to reimburse employer

If the employee fails to make good to the employer the whole or part of a shortfall in PAYE deductions that the employer has paid as described above, the employee is to be treated as receiving a taxable benefit for the following tax year, equal to the amount not made good. That benefit is to be treated as arising on the 31st March of that following year. Where the tax is reimbursed by the employee to the employer by that 31st of March, a **taxable benefit will not be** regarded as arising to the employee.

Example 2

In the example above, (and assuming the employer deducted €217.62), if the employee fails to make good to the employer the full €249.30 before 31 March, 2005, the employee is to be treated as receiving a taxable benefit of that amount on that date. If the employer had recouped, €150 for example by that date, then the balance of €99.30 would be treated as a taxable benefit on 31 March 2005. (If the individual concerned is no longer employed by the employer at the 31st of March, any unrecouped balance should, instead, be returned as a benefit on form P11D.)

3.5 Spreading the liability throughout the tax year

3.5.1 In general, any PAYE and PRSI due in respect of a taxable benefit must be paid to the Collector-General for the month in which the pay period in which the benefit is treated as being provided ends (please see *paragraph 3.2*). Effectively, this means the month in which the next money wages or salary are paid. [As mentioned at *paragraph 3.3.2*, where due to the insufficiency of these money wages or salary, the employer pays the shortfall in the tax or PRSI collected, the employer may agree an arrangement with the employee to recoup that shortfall by deduction from subsequent payment of wages or salary to the employee. Payment of tax and PRSI by employers with subsequent recoupment from employees will not be regarded as involving preferential loans.]

3.5.2 **However**, in the case of benefits consisting of the **private use of a company car or van, a preferential loan, or the use of accommodation or assets which belong to the employer**, the annual taxable value of the benefit for a tax year – the notional pay – can be apportioned over the relevant pay periods for which it is available in that year and subjected to PAYE and PRSI on that basis.

Example 3

A monthly-paid employee with an annual taxable benefit of €4,800 in respect of the free use of private accommodation, for example, can be treated as receiving a monthly notional payment of €400 in respect of that taxable benefit.

Where an employer pays a pecuniary liability of an employee in instalments throughout the tax year e.g. the payment of an annual medical insurance premium in quarterly instalments, the instalments are chargeable as they are paid by the employer. However, where the liability is paid in one annual payment then the full amount is to be taken into account for PAYE and PRSI purposes at the time of payment and spreading does **not** apply.

3.6 Employer arrangements to discharge employees' liabilities to tax and PRSI

3.6.1 As under the previous system in force to 31 December 2003, an employer may make an arrangement with Revenue to pay on behalf of their employees the tax and PRSI due in respect of certain taxable benefits provided for the employees.

3.6.2 Such arrangements do not displace the general requirement that employers must operate PAYE and PRSI on an employee's emoluments including taxable benefits. However, the Revenue Commissioners are prepared to agree arrangements with employers for the payment of employees liabilities in respect of minor benefits **payable on an irregular basis**.

3.6.3 Arrangements will not be agreed in respect of:

- cash payments of wages, salaries or bonuses
- large benefits provided to individual employees such as company cars, free accommodation or preferential loans
- round sum allowances.

3.6.4 The PAYE and PRSI due under such arrangements must be determined by reference to the "**grossed-up**" value of the benefit, that is, the notional amount which, if PAYE and PRSI were deducted from it, would leave each employee with a net amount which would be equal to the benefit or notional pay represented by the benefit if there were no special arrangements for payment of the tax and PRSI due. The grossed-up amount will be determined in all cases by reference to each individual employee's marginal rate of tax and, where relevant, PRSI rate. The amount to be paid by the employer is the difference between the grossed-up amount and the net amount of the taxable benefit or notional pay. The employer must account for employers' PRSI on the grossed-up amount.

Example 4

An employer gives an employee a taxable benefit valued €110. The employee is liable to income tax at 42% and PRSI at 6% on the benefit. If the employer wishes to pay the tax and the PRSI, the €110 will represent 52%, i.e. 100% - (42% + 6%) of the grossed-up value. The grossed up amount is therefore

$$€110 \times 100/52 = €211.54$$

The amount to be paid by the employer is:

Income tax €211.54 @ 42%	=	€88.85
Employee PRSI €211.54 @ 6%	=	€12.69
Employer PRSI €211.54 @ 10.75%	=	€22.74

When the employee's liability of €101.54 (€88.85 + €12.69) is deducted from the grossed-up payment the balance is equal to the €110 value of the benefit.

- 3.6.5** In *Example 4* the whole taxable benefit is chargeable at one rate. Where the benefit is chargeable at different rates, the calculations are more complicated and would be best done using a computerised payroll system that is able to gross up "tax-free" amounts. Local Tax Offices will assist in the matter.
- 3.6.6** Taxable benefits in respect of which PAYE and PRSI have been paid by the employer under the arrangements referred to at *paragraphs 3.6.1 to 3.6.4* above will not count as income of the employees concerned for either tax or PRSI purposes nor will the employees be entitled to a credit for the tax or contribution record for PRSI paid under such arrangements.
- 3.6.7** However, where the employer agrees to provide an employee with regular or major benefits free of tax and PRSI (e.g. where an employer agrees to discharge the employee's PAYE and PRSI liability on a taxable benefit *as part of his or her remuneration package*), PAYE and PRSI must be determined by reference to the grossed-up value of the taxable benefit having regard to the employee's marginal rate of tax and, where relevant, PRSI rate and *paragraph 3.6.6* will not apply.

Chapter 4 - Valuation of Benefits : General

4.1. General Rule

Except where there are specific statutory valuation rules (please refer to Chapters 5 to 9), the amount of the taxable benefit (i.e. the notional pay) which will be liable to PAYE and PRSI will be the **higher** of

- the expense incurred by the employer in connection with the provision of the benefit to the employee, or
- the value realisable by the employee for the benefit in money or money's worth

less any amount made good to the employer by the employee.

4.2. Payments on behalf of employees - general

In the case of the payment of club subscriptions, medical insurance or other such payments on behalf of the employee, it is the expense incurred by the employer (less any reimbursement by the employee direct to the employer) that is to be taken into account for PAYE and PRSI purposes.

4.3. Payment of Medical Insurance / Tax Relief at Source / Tax Credits

In the case of medical insurance premiums, the cost to the employer is based on the invoiced gross premium **before** TRS (Tax Relief at Source). (The employer has to refund the TRS to Revenue.)

Example 1

Where the gross premium payable (before TRS) is €1,000 and the employee makes good the sum of €300 to the employer, the notional pay is €700.

The employee in the above example will be entitled to a standard rate tax credit in respect of the gross premium, i.e. €1,000 @ 20%, in his or her *Certificate of Tax Credits and Standard Rate Cut- Off Point*.

4.4. Vouchers

- 4.4.1 Where the amount realisable by the employee for the voucher would not be significantly greater than the expense incurred by the employer in acquiring the voucher, the expense incurred by the employer (as reduced by any reimbursement by the employee) may be taken as the amount of the taxable benefit for PAYE and PRSI purposes.

- 4.4.2 The taxable benefit cannot, in any case, be less than the expense incurred by the employer (as reduced by any reimbursement by the employee).

- 4.4.3 Where, because the employer and the provider of the voucher are connected or for any other reason, the expense incurred by the employer in acquiring the voucher is significantly less than the amount realisable by the employee for the voucher, i.e. the market value of the voucher, it is the market value of the voucher (as reduced by any reimbursement by the employee) that is subject to PAYE and PRSI.

4.5. Goods Provided by Employer

- 4.5.1 Where an employer purchases goods for, or otherwise provides goods to, an employee, such as a television, hi-fi equipment, or white goods, the higher of:

- the expense incurred by the employer in connection with the provision of the goods or
- the value realisable on sale of the goods by the employee

is chargeable to PAYE and PRSI.

- 4.5.2 Where the difference between the expense incurred by the employer in providing brought-in goods and the value realisable on sale of the goods by the employee is unlikely to be significant, the expense incurred by the employer may be taken as the amount of the taxable benefit for PAYE and PRSI purposes.

- 4.5.3 Where the employer is the manufacturer of goods concerned, the amount of the expense incurred in providing the employee with the benefit is normally lower than the amount that the goods would realise if sold on the open market. The higher of the two amounts is subject to PAYE and PRSI.

- 4.5.4 Where durable goods have been used or depreciated by the employer before being provided to the employee, it is the value of the goods at the time of their provision to the employee that should be charged to PAYE and PRSI *even if* that value is *less* than the cost of the goods to the employer.

4.6. Transfer of Assets

- 4.6.1 Where an employer gives an asset (e.g. car, house, or yacht) to an employee by way of transfer or otherwise, the taxable benefit for the year in which the benefit is provided must be calculated by reference to the higher of:
- the expense incurred by the employer in connection with the provision of the benefit, or
 - the value realisable on sale.

4.6.2 However, where the benefit takes the form of the transfer of an asset **after it has been used or depreciated by the employer**, it is the market value of the asset at the date of transfer, and not the cost of acquisition to the employer, which is the taxable benefit.

4.7 Summary Table for Certain Benefits

Table 1 below sets out, in relation to some commonly available benefits, which are not subject to the specific statutory rules set out in Chapters 5 to 9,

- the amount of the notional pay or taxable benefit to be taken into account when calculating PAYE and PRSI, and
- the date on which the benefit is chargeable.

4.8 Specific statutory valuation rules

Chapters 5 to 9 set out the **specific statutory valuation rules** which must be used to determine the taxable value in relation to:

- company cars
- company vans
- accommodation
- employer-owned assets and
- preferential loans.

Table 1

	Benefit	Examples	Amount for PAYE and PRSI	Date of charge
1.	Vouchers	Shopping Vouchers, Holiday Vouchers, Luncheon Vouchers, Bonus Bonds and Cash Vouchers	Expense incurred by employer (less any reimbursement of the employer by the employee). But see paragraph 4.4.3 above.	Date of receipt by employee
2.	Payment of a pecuniary liability for employee	Medical Insurance and Life Assurance Premiums Club Subscriptions Private element of telephone bills (call and rental charges) Rented Accommodation charges Crèche Costs outside the scope of the exemption provided	Expense incurred by employer (less any reimbursement of the employer by the employee).	Date of payment by employer
3.	Provision of Goods	Electrical goods e.g., TVs, HiFis, White goods	The higher of: <ul style="list-style-type: none"> ■ expense incurred by the employer, and ■ realisable value, (less any reimbursement of the employer by the employee). See paragraph 4.5 above.	Date of receipt by employee
4.	Transfer of assets	Cars, Houses, Yachts	The higher of: <ul style="list-style-type: none"> ■ expense incurred by the employer, and ■ realisable value, (less any reimbursement of the employer by the employee). See paragraph 4.6 above	Date of receipt by employee

Chapter 5 - Private Use of Company Cars

5.1 General

5.1.1 Where a company car is available for the private use of an employee the employee is chargeable to PAYE and PRSI in respect of that use.

5.1.2 Travel to and from work is private use.

5.1.3 The notional pay to which PAYE and PRSI must be applied is determined by reference to the “**cash equivalent**” of the private use of the company car. The cash equivalent is determined by applying a percentage based on business mileage to the “**Original Market Value**” (OMV) of the vehicle supplied (whether the vehicle is owned acquired new or second-hand or leased by the employer).

5.1.4. The following paragraphs of this Chapter set out how the cash equivalent is determined in particular cases.

5.2 Ready reckoners

5.2.1 In order to assist employers in calculating the cumulative amount of notional pay in respect of the private use of a company car to be taken into account at a relevant pay period, **Appendix 1** contains ready reckoners for weekly/monthly calculations of the cumulative cash equivalent of the private use of the company car.

5.2.2 The cumulative mileage in the ready reckoners refers **separately** to the cumulative business mileage in the tax year in respect of **each** car provided. The ready reckoner is effective **irrespective** of whether the car was available on 1 January in the year or made available at a later date in the year or was given up during the course of the year. Using the ready reckoners should, in general, ensure -

- that the correct amount is taken into account for PAYE and PRSI purposes at particular pay periods, and
- that, at the end of the tax year or, if earlier, when the car is given up, the correct amount of the taxable benefit will have been subjected to PAYE and PRSI.

5.2.3 Detailed instructions on how to operate the ready reckoners are also contained in **Appendix 1**. Before using the ready reckoners it is advisable to be familiar with the following paragraphs of this Chapter.

5.2.4. The ready reckoner is intended to be of assistance to employers, including those who may be operating a manual payroll. There is no obligation on employers to use the ready reckoner, if they are using some other method of ensuring appropriate results. In particular, the amount of the taxable benefit in respect of a car can be averaged out over pay periods so long as periodic

adjustments are made to keep the aggregate PAYE and PRSI liabilities for the tax year on track by reference to the cumulative mileage.

5.3 Meaning of “car”

5.3.1 For the purposes of the PAYE and PRSI charges, a car means any mechanically propelled road vehicle designed, constructed or adapted for the carriage of the driver or the driver and one or more other persons, other than -

- (a) a motor-cycle the weight of which is less than 410 kilograms,
- (b) a van (see definition in Chapter 6), or
- (c) a vehicle not commonly used as a private vehicle and unsuitable to be so used.

This includes all cars within the ordinary meaning of the word, crewcabs and jeeps but excludes hearses and lorries.

5.4 Cars in “car-pools”

5.4.1 There will not be a charge to tax in respect of a car which is in a “car pool”. A car can be treated as being in a car pool if:

- the car is made available to, and is actually used by, more than one employee and is not ordinarily used by one employee to the exclusion of the others, and
- any private use of the car by the employees is merely incidental to business use, and
- it is not normally kept overnight at the home of any of the employees.

5.4.2 **Where it is proposed to treat a car as being in a car pool but there is a doubt about that treatment, the position may be agreed in advance with local Tax Offices.**

5.5 Calculation of “cash equivalent”

5.5.1 The notional pay to which PAYE and PRSI must be applied is determined by reference to the “cash equivalent” of the private use of a company car. To arrive at the cash equivalent the employer must first apply a business mileage related percentage to the Original Market Value (OMV) of the vehicle supplied (whether the vehicle is owned acquired new or second-hand or leased by the employer).

5.5.2 The cash equivalent is then reduced by any amount required to be made good, and actually made good, by the employee **directly to the employer** in respect of any part of the cost of providing or running the car.

Example 1

If an employee is required to pay directly to the employer €50 per month in respect of petrol, the cash equivalent for the year would be reduced by €600. **If, without involving the employer, the employee pays €50 per month in purchasing petrol for the company car, the cash equivalent is not reduced.**

5.5.3 Table 2 sets out the percentages applicable:

Table 2

Annual Business Mileage Thresholds	Cash Equivalent (% of OMV)
15,000 or less	30%
15,001 to 20,000	24%
20,001 to 25,000	18%
25,001 to 30,000	12%
30,001 and over	6%

5.6 Three steps to calculating “notional pay” for company car

5.6.1 The following paragraphs (5.6.2 to 5.6.10) are a three-step guide to assist in the calculation of the amount of the taxable benefit or “notional pay” in respect of a company car.

Step One - Ascertain the Original Market Value of the car.

5.6.2 The Original Market Value (OMV) of a car is the price (including any duty of customs, duty of excise or value-added tax chargeable on the car) which the car might reasonably have been expected to fetch, if sold in the State singly in a retail sale in the open market, immediately before the date of its first registration in the State or elsewhere. Original market value includes vehicle registration tax (VRT).

Example 2

The original market value of a car first registered in the UK on 1 July 1994 and imported into Ireland on 1 November 1996 (and registered in Ireland in November 1996) would be the **Irish** open market price for a single retail sale immediately before 1 July 1994.

5.6.3 Generally, the original market value is taken to be the list price of the vehicle, including VAT and VRT at the time of first registration.

Example 3

An employer purchases a vehicle for €25,000 (VRT and VAT inclusive price). The taxable benefit (the notional pay) for the year must be calculated by reference to that €25,000 cost.

5.6.4 Where a **discount** was received on the acquisition of the vehicle **and** such discount was normally obtainable in respect of a **single retail sale** in the open market, the list price may be reduced accordingly.

5.6.5 In cases where:

- an exceptionally large discount was obtained (e.g. a quantity or fleet discount) or
- the discount cannot be determined (e.g. a car has been traded in against a new car), or
- the car involved was purchased second-hand,

claims in respect of discounts are limited to the discounts normally obtainable in respect of a single retail sale on the open market. Reductions for discounts do not usually exceed 10% and higher percentages will not be accepted in the absence of documentary evidence in respect of single retail sales in the open market. Where an employer receives a discount in relation to the cost of the car (or a fleet of cars), the OMV is taken to be the VAT inclusive / VRT inclusive discounted price.

Example 4

An employer purchases a fleet of vehicles costing €25,000 each (VRT and VAT inclusive price) before any discount. The employer is given a 15% discount due to the size of the order.

The discount taken into account for the purposes of calculating the OMV of the cars may not exceed 10% of the list price (in the absence of documentary evidence in respect of single retail sales in the open market).

The original market value should therefore be computed as follows:

$$€25,000 \times 90\% = €22,500.$$

5.6.6 **In cases of doubt, the level of discount applicable may be agreed in advance with the local Tax Office.**

Step Two - Ascertain the Business Mileage for the year and calculate the Cash Equivalent using the appropriate percentage.

5.6.7 Having ascertained the OMV of the car, the cash equivalent must be calculated. This is calculated by applying the appropriate annual **business** mileage related percentage in Table 2 above (*paragraph 5.5.3*) to the OMV.

Example 5

An employee has the use of a company car with an original market value of €30,000. Annual business mileage is less than 15,000 miles. The employee is not required to make good any amount towards the cost of the car or its running expenses. The employee is paid weekly.

Using Table 2 the cash equivalent (notional pay) is determined as follows:

€30,000 x 30% = €9,000 for the year.

As the employee is paid weekly, €173.07 notional pay should be added to the weekly money wages or salary and PAYE and PRSI should be calculated by reference to the total amount (money wages plus the notional pay).

- 5.6.8 For the purpose of determining the correct percentage, the total mileage for the year should be reduced by a minimum of 5,000 private miles to arrive at business mileage. The employer may accept lower levels of private mileage but only where documentary evidence can be provided in this regard by the employee to the employer.**

The weekly and monthly equivalents of 5,000 miles annual private mileage are **96 miles per week** and **416 miles per month**.

Example 6

An employee who travels a total annual mileage of 24,000 miles indicates to the employer that the total includes 2,500 private miles but is unable to provide documentary evidence supporting that private mileage.

The business mileage is calculated as follows :-

Total Annual mileage	24,000
Deduct private miles	5,000
Business Mileage	19,000

Using Table 2 the applicable percentage to be applied to the OMV of the car is 24%.

Step Three - Deduct amounts made good by Employee to the Employer

- 5.6.9** Having ascertained the cash equivalent amount, deduct any amount made good by the employee **directly to the employer** towards the cost of providing or running the car.

Example 7

An employee has the use of a company car with an original market value of €25,000. He/she travels 12,000 business miles annually and contributes €1,000 per annum directly to the employer for the private use of the car. In addition, the employee pays for his/her own private fuel.

The notional pay is calculated as follows :-

- 25,000 x 30% = €7,500
- Less amount made good to employer-(€1,000)
- Notional Pay = €6,500

There is no reduction available for the private fuel as this is not an amount made good to the employer.

- 5.6.10** Where an employee makes a **lump sum contribution** to the employer towards the purchase price of a company car, the amount contributed is regarded as an amount made good by the employee in the first tax year that the benefit is chargeable.

Example 8

An employer is willing to provide a company car up to the value of €25,000. The employee has a particular car in mind costing €29,000. The employee agrees to pay the difference of €4,000 to the employer and is supplied with the car valued at €29,000.

The employee travels 12,000 business miles annually and contributes €1,000 per annum directly to the employer for the private use of the car.

Year 1

The notional pay is calculated as follows:

€29,000 x 30%	=	€8,700
Less		
Lump sum payment to employer		€4,000
Annual amount made good		<u>€1,000</u>
Notional Pay in year 1		€3,700

Year 2 and following years

The position is:

€29,000 x 30%	=	€8,700
Less		
Annual amount made good		<u>€1,000</u>
Notional Pay in year 2		€7,700

Where, exceptionally, the lump sum cannot be fully set off in computing the notional pay of the first tax year the benefit is chargeable, the balance of the lump sum may be set off in computing the notional pay in respect of the car for the subsequent tax year.

5.7 Alternative Basis for certain employees with low business mileage

5.7.1 In the case of certain employees whose annual business mileage does not exceed 15,000 miles, the cash equivalent of 30% of OMV may be reduced by 20% giving an effective cash equivalent of 24% of OMV.

5.7.2 This alternative basis is available where the following conditions are complied with. The employee -

- works an average of not less than 20 hours per week
- travels at least 5,000 business miles per annum on the employer's business
- spends at least 70% of his or her working time away from the employer's premises
- retains a log book detailing business mileage, business transacted, business time travelled and date of journey, and the log book is certified by the employer as being correct.

Example 9

A company car is made available to an employee on 1 Jan 2004. The original market value of the car is €18,000. The employee works full-time for the firm and travels 6,000 miles on company business per annum. The employee spends more than 70% of his or her working time away from the employer's premises.

The calculation of the notional pay is as follows:

$$€18,000 \times 24\% = €4,320$$

Notional pay of €4,320 (€83.07 per week / €360.00 per month) must be added to the money wages or salary for the purposes of calculating PAYE and PRSI

Example 10

A company car is made available to an employee on 1 Jan 2004. The original market value of the car is €25,000. The employee works full-time for the firm and travels 6,000 miles on company business annually. The employee spends more than 70% of his or her working time away from the employer's premises. The employee makes good the sum of €1,000 per annum directly to the employer towards the running costs of the car.

The notional pay is calculated as follows:

$$€25,000 \times 24\% = €6,000$$

Less

Amount made good to employer	€1,000
Notional Pay	€5,000

Notional pay of €5,000 (€96.15 per week / €416.66 per month) must be added to the money salary or wages for the purposes of calculating PAYE and PRSI.

5.8 Company Car not available for full year

5.8.1 Adjustments will be necessary where a car is not available for the full year, e.g. where -

- an employee receives a car after the start of the tax year, or
- an employee gives up a car before the end of the tax year.

5.8.2 Equally an adjustment will be required where a car is for some other reason not available for private use for part of the tax year, for example, where an employee is working abroad for an extended period. In this case, a car provided to an employee will not be regarded as available for private use for that part of the year in which the employee is outside the State for the purpose of performing the duties of the office or employment, provided the following conditions are met:

- The employee travels abroad without the car
- The car is not available for use by the employee's family or household during the employee's period of absence outside the State.

5.8.3 Where a car is not available for part of a year, the business mileage thresholds and the percentage cash equivalents used should be calculated by reference to the following fraction of the normal thresholds and percentages (as listed in Table 2 in *paragraph 5.5.3*). The fraction is

$$\frac{\text{number of days in the tax year car is available for private use}}{365}$$

This fraction may also be expressed as a percentage as follows:

$$\frac{\text{number of days in the tax year car is available for private use}}{365} \times 100$$

Example 11

An employee has the use of a company car for 220 days of the tax year. The original market value of the car is €28,000. The employee travels 16,125 business miles during this period.

In this instance, Table 2 (*paragraph 5.5.3*) is revised by applying the following percentage to each of the annual business mileage thresholds and the cash equivalent percentages.

$$\frac{220 \text{ days} \times 100}{365 \text{ days}} = 60.27\%$$

The adjusted table for this employee would therefore be -

Annual Business Mileage Threshold	Cash Equivalent (% of OMV)
9,041 or less	18.08%
9,042 to 12,054	14.46%
12,055 to 15,067	10.84%
15,068 to 18,081	7.23%
18,082 and over	3.61%

The notional pay is calculated as follows -
 €28,000 x 7.23% (percentage for 16,125 business miles) = €2,024 for the year.

5.9 Change of Car during the tax year

Where there is a change of company car during the year, the annual business mileage thresholds and the cash equivalent percentages must be calculated in accordance with *paragraph 5.8* for each car separately.

Example 12

An employee has the use of a company car with an original market value €23,000 for the first 186 days of the tax year and a car valued at €25,000 for the balance of the year. The employee, who travels 8,600 business miles in the first car and 12,200 business miles in the second car, directly reimburses the employer a total of €1,000 for the private use of the two cars.

Table 2 (*paragraph 5.5.3*) must, in respect of each car, be adjusted as follows for the purposes of calculating the chargeable benefit (notional pay) by applying the following percentages to each of the annual business mileage thresholds and the cash equivalent as follows:

First Car

$\frac{186 \text{ days}}{365 \text{ days}} = 50.96\%$ for the first car

Second Car

$\frac{179 \text{ days}}{365 \text{ days}} = 49.04\%$ for the second car

Therefore, the revised tables are as follows:

First Car

Annual Business Mileage Thresholds	Cash Equivalent (% of OMV)
7,644 or less	15.28%
7,645 to 10,192	12.23%
10,193 to 12,740	9.17%
12,741 to 15,288	6.11%
15,289 and over	3.05%

Second Car

Annual Business Mileage Thresholds	Cash Equivalent (% of OMV)
7,356 or less	14.71%
7,357 to 9,808	11.76%
9,809 to 12,260	8.82%
12,261 to 14,712	5.88%
14,713 and over	2.94%

The notional pay is calculated as follows -
 First Car - €23,000 x 12.23%
 (percentage for 8,600 business miles) = €2,812

Second Car - €25,000 x 8.82%
 (percentage for 12,200 business miles) = €2,205
 Total €5,017

Less amount made good directly to the employer €1,000
 Notional pay for the year €4,017

5.10 Lump Sum Contributions by Employees

Please refer to *paragraph 5.6.10* above.

5.11 End of Year Adjustment

5.11.1 As the exact business mileage for an employee may not be known until the end of the tax year, employers should, during the course of the year, make a best estimate of the business mileage for the year, based on available information and records. The resultant estimated notional pay based on the estimated business mileage should be added to the employee's money wages or salary and PAYE and PRSI calculated on the aggregate amount.

5.11.2 However, prior to the end of the tax year, having regard to the known business mileage covered in the tax year up to that date, the best estimate should be reviewed to determine its accuracy. Any adjustments necessary to the cumulative notional pay charged to date should be incorporated in the remaining pay periods for the year.

5.11.3 Periodic references to the ready reckoner in **Appendix 1**, or equivalent checks using a computerised system, taking account of updated business mileage figures should ensure that the cumulative notional pay taxed during the tax year stays on track in relation to the notional pay for the year as computed at the end of the year.

5.12 Car Allowances

- 5.12.1 Where an employee surrenders the use of a company car and the employer gives the employee a round sum car allowance instead, such allowance is liable to PAYE and PRSI as an emolument of the employee.
- 5.12.2 Where an employer reimburses an employee in respect of the expense of business mileage driven by the employee in the employee's own car and that reimbursement is in line with the conditions set out in the Revenue Information Leaflet IT51 (please see **Appendix 2**), a PAYE or PRSI liability does not arise on the amounts reimbursed.
- 5.12.3 Where an employer gives an employee money to purchase a car, the amount paid to the employee is liable to PAYE and PRSI as an emolument of the employee, whether or not the car is used by the employee for business purposes.

Chapter 6 - Private Use of Company Vans

6.1 Private use of company van

Where a company van is available for the private use of an employee, the employee is chargeable to PAYE and PRSI in respect of that private use.

6.2 Travel to and from work

Travel to and from work is private use.

6.3 Meaning of "van"

A van means a mechanically propelled vehicle which –

- is designed or constructed solely or mainly for the carriage of goods or other burden, **and**
- has a roofed area or areas to the rear of the driver's seat, **and**
- has no side windows **or** seating fitted in that roofed area or areas.

Where a crew cab or other similar type of vehicle meets **all of these criteria** it would be regarded as a van rather than a car – see Chapter 5 (*paragraph 5.3*) regarding the meaning of "car".

6.4 Cash equivalent of private use of van

The notional pay to which PAYE and PRSI must be applied is determined by reference to the "cash equivalent" of the private use of the van. The cash equivalent is 5% of the Original Market Value (OMV) of the vehicle supplied. The OMV must be calculated in the same manner as for cars as outlined in *Chapter 5 (paragraphs 5.6.2 – 5.6.6)*.

6.5 Van with subsequent modifications

Where the van has been modified, e.g. where a refrigeration unit has been installed, the original market value of the van **excluding** such modifications should be used.

6.6 Employee makes good to employer

The cash equivalent may be reduced by any amount required to be made good, and actually made good, by the employee **directly to the employer**, in respect of any part of the cost of providing or running the van.

Example 1 - No contribution from employee

A company van is made available to an employee for business and private use on 1 January 2004. The original market value of the van is €18,000. The employee is not required to make any contribution towards the provision or the running costs of the van.

The calculation of the notional pay is as follows:

$$€18,000 \times 5\% = €900$$

Notional pay of €900 (€17.30 per week / €75 per month) must be added to the employee's money wages or salary for the purposes of calculating PAYE and PRSI.

Example 2 - Employee required to make contribution

A company van is made available to an employee for business and private use on 1 January 2004. The original market value of the van is €18,000. The employee is required to make good the sum of €500 per annum directly to the employer towards the running costs of the van.

The calculation of the notional pay is as follows:

€18,000 x 5%	= €900
Less amount made good by employee	= €500
Notional Pay	= €400

Notional pay of €400 (€7.69 per week / €33.33 per month) must be added to the employee's money wages or salary for the purposes of calculating PAYE and PRSI.

Example 3 - Van available for only part of year

A company van is made available to an employee for business and private use on 1 July 2004. The original market value of the van is €20,000. The employee makes good the sum of €5 per week directly to the employer towards the running costs of the van.

The calculation of the notional pay is as follows:

$$€20,000 \times 5\% = €1,000$$

As the van is only in use for half of the year, the notional pay is reduced as follows:

$$€1,000 \times 6 / 12 = €500$$

The employee contributes €5 per week to the employer (€130 will be paid in the period 1 July 2004 to 31 December 2004). Therefore, the notional pay is further reduced as follows:

$$€500 - €130 = €370$$

The employer must include notional pay of €370 (€14.23 per week/€61.66 per month) as part of the employee's pay for the six month period from 1 July 2004 to 31 December 2004 for the purposes of calculating PAYE and PRSI.

6.7 Vans in "van-pools"

6.7.1 There will not be a charge to tax in respect of a van which is in a "van pool". A van can be treated as being in a van pool if-

- the van is made available to, and is actually used by, more than one employee and is not ordinarily used by one employee to the exclusion of the others, and
- any private use of the van by the employees is merely incidental to business use, and

- it is not normally kept overnight at the home of any of the employees.

6.7.2 Where it is proposed to treat a van as being in a van pool but there is a doubt about that treatment, the position may be agreed in advance with the local Tax Office.

6.8 Van Allowances

The terms of *paragraphs 5.12.1 to 5.12.3* apply in relation to vans in the same way as they apply in relation to cars.

Chapter 7 - Free or Subsidised Accommodation

7.1 Employer-owned accommodation

7.1.1 Where accommodation is **owned** and provided by the employer for use by an employee, the value of the taxable benefit to the employee is the aggregate of-

- any expense (other than the cost of acquisition - see *paragraph 7.4*) incurred by the employer in connection with the provision of the accommodation, and
- the annual value of its use.

7.1.2 The annual value of the use of employer-owned accommodation is the annual rent which the employer might reasonably expect to obtain for the property if the property were rented on an arm's length basis and on the basis that the landlord be responsible for all repairs, insurance etc. and the tenant undertook to pay all the usual tenant's expenses.

7.1.3 As a general rule of thumb for calculating the market rent (the annual rent which the employer might reasonably expect to obtain) the employer may take a figure equal to **8% of the current market value of the property** (but see also *paragraph 7.1.4* following).

Example 1

An employer provides an employee with the rent-free use of an apartment owned by the employer. The apartment was purchased for €200,000 but has a current market value of €300,000.

In the absence of any documentation indicating the rent which the company might reasonably expect to receive (i.e. the market rent) the taxable benefit must be taken as -

$$€300,000 \times 8\% = €24,000 \text{ per annum}$$

Notional pay of €24,000 (€461.53 per week / €2000.00 per month) must be added to the employee's money salary or wages for the purposes of calculating PAYE and PRSI.

7.1.4 However, where a vouched lower figure is available, e.g. an auctioneer's estimate of the rent likely to be obtained, this figure may be used for the purposes of calculating the PAYE and PRSI due on the taxable benefit. **(The auctioneer's estimate should be retained for inspection by Revenue if required – see Chapter 11 – Records to be kept).**

Example 2

An employer provides an employee with the rent-free use of an apartment owned by the employer. The apartment has a current market value of €500,000. Apartments in the building are currently let for €2,500 per month and evidence is held by the employer to this effect.

The taxable benefit is calculated as follows:

$$€2,500 \times 12 = €30,000 \text{ per annum}$$

$$\text{Notional pay of } €30,000 \text{ (€576.92 per week /$$

$$€2,500.00 \text{ per month) must be added to the}$$

employee's money salary or wages for the purposes of calculating PAYE and PRSI.

7.1.5 The annual value of employer-owned accommodation should be determined when the accommodation is first provided to an employee and then **reviewed annually** for as long as the property is available to employees.

7.1.6 The annual value as determined should be reduced by any amount which the employee is required to make good and actually makes good directly to the employer in respect of the accommodation.

Example 3

An employer provides an employee with a house, owned by the employer, at a subsidised rent of €1,000 per month. The house has a current market value of €400,000.

In the absence of any documentation indicating the rent which the company might reasonably expect to receive, the taxable benefit is:

$$(€400,000 \times 8\%) - (€1,000 \times 12)$$

$$= €32,000 - €12,000$$

$$= €20,000$$

Notional pay of €20,000 (€384.61 per week / €1666.66 per month) must be added to the employee's money salary or wages for the purposes of calculating PAYE and PRSI.

7.2 Employee required to live on premises

7.2.1 A taxable benefit will not arise where an employee (but not a director) is required **by the terms of his or her employment** to live in accommodation provided by the employer in part of the employer's business premises so that the employee can properly perform his or her duties ("better performance test"), **and either -**

- the accommodation is provided in accordance with a practice which, since before 30 July 1948, has commonly prevailed in trades of the class in question as respects employees of the class in question, **or**
- it is necessary, in the particular class of trade, for employees of the class in question to live on the premises.

7.2.2 It is accepted that the “better performance test” is met in practice where -

- the employee is required to be on call outside normal hours, and
- the employee is in fact frequently called out, and
- the accommodation is provided so that the employee may have quick access to the place of employment.

7.2.3 Examples of such employees include

- (a) managers or night care staff in residential or respite centres (where such centres are not nursing facilities),
- (b) governors and chaplains in prisons,
- (c) caretakers living on the premises (where they are in a genuine full-time caretaking job).

7.3 Rented accommodation

7.3.1 Where accommodation is rented, at a market rent, by an employer for an employee, the taxable benefit for PAYE and PRSI purposes is the actual amount of rent paid less any amount which the employee is required to make good and actually makes good to the employer in respect of the accommodation.

Example 4

Employer provides an employee with rented accommodation for which the rent, paid by the employer, is €1,500 per month. The employee makes a contribution of €200 per month towards the rent.

Notional pay of €1,300 (€1,500 - €200) per month, or €300 per week, must be added to the employee's money salary or wages for the purposes of calculating PAYE and PRSI.

7.3.2 Accommodation costs paid as part of a relocation package which is in accordance with the provisions of Revenue instructions are not subject to PAYE and PRSI. A copy of these instructions (as published in Statement of Practice SP IT/1/91 and Tax Briefing issue 31) is included at **Appendix 4**.

7.4 Associated Costs

Where the employer meets any of the costs associated with the provision of living accommodation, e.g. cost of light or heat, a taxable benefit will arise on the amount met by the employer and not made good by the employee.

7.5 Furniture

Where furniture (which remains in the employer's ownership) is provided the rules for the Free use of Assets set out in Chapter 8 will apply (please refer to *paragraph 8.1*).

Chapter 8 - Free Use of Assets (other than accommodation, company cars or vans)

8.1 Calculation of taxable benefit

8.1.1 Where an asset (other than accommodation, company cars or vans), which continues to belong to the employer, is provided by an employer for use by an employee, the annual value of the use of the asset is **5% of the market value of the asset when it was first provided as a benefit** by the employer to that employee or any other employee. This is the amount that must be taken into account when calculating the taxable benefit which is to be included as notional pay for the purposes of PAYE and PRSI.

8.1.2 If any annual amount paid by the employer for the rent or hire of the assets is greater than the annual value as calculated in *paragraph 8.1.1*, the notional pay will be that annual amount paid by the employer.

8.2 Examples of calculations

The taxable benefit in respect of the asset will apply for each tax year for which an employee has the free use of an employer-owned asset. Where there is free use of an asset for part of the year only, the amount of the taxable benefit should be time-apportioned.

Example 1

On 1 January 2004, an employer furnishes an employee's apartment with new furniture – at no cost to the employee. The furnishings, which remained the property of the employer, cost €10,000.

The annual value of the use of the furniture is $€10,000 \times 5\% = €500$.

Notional pay of €500 (€9.61 per week / €41.66 per month) must be added to the employee's money wages or salary for the purposes of calculating PAYE and PRSI.

Example 2

On 1 August 2004, an employer furnishes an employee's apartment with new furniture - at no cost to the employee. The furnishings, which remained the property of the employer, cost €15,000.

For the tax year 2004, the annual value is $€15,000 \times 5\% \times 5/12 = €312.50$. Therefore, notional pay of €312.50 for the full year must be added to the employee's money wages or salary over the period 1 August 2004 to 31 December 2004 (i.e. €14.42 for each week or €62.50 for each month during the period) for the purposes of calculating PAYE and PRSI.

For the tax year 2005 and subsequent years the annual value is €750 ($€15,000 \times 5\%$). For those years, notional pay of €750 (€62.50 per month/€14.42 per week) must be added to the employee's ordinary wages or salary for the purposes of calculating PAYE and PRSI.

Example 3

On 1 January 2004, an employer provides an employee with the free use of an asset which had previously been used by another employee. At the time the **first** employee was given the use of the asset it cost €3,000. This is the market value of the asset when first provided as a benefit.

The annual value **in the case of the second employee** is -

$$€3,000 \times 5\% = €150$$

Notional pay of €150 per annum (€2.88 per week/€12.50 per month) must be added to the second employee's money wages or salary for the purposes of calculating PAYE and PRSI.

Example 4

On 1 January 2004, an employer provides an employee with the free use of furniture which was previously used in the employer's showrooms. The original cost of the furniture was €5,000. The furniture was professionally valued at €3,500 as at 1 January 2004 – the date the furniture was first provided as a benefit.

The annual value is $€3,500 \times 5\% = €175$.

Notional pay of €175 (€3.36 per week / €14.58 per month) must be added to the employee's money wages or salary for the purposes of calculating PAYE and PRSI.

8.3 Loan of Art Objects

There is no charge to tax in respect of the loan of art objects kept in buildings of significance where the Revenue Commissioners have determined that the public have reasonable access to view both the object and the significant building.

Chapter 9 - Benefit of Preferential Loans

9.1 Preferential Loans

- 9.1.1 PAYE and PRSI apply to the benefit derived by an employee from certain loans at preferential rates of interest.
- 9.1.2 A “**preferential loan**” means a loan, made by an employer to an employee or the spouse of an employee, in respect of which no interest is payable, or interest is payable at a rate lower than the “**specified rate**”. It does not however include such a loan where the rate of interest is not less than the rate of interest at which the employer in the course of the employer’s trade makes equivalent loans for similar purposes at arm’s length to persons other than employees or their spouses.

9.2 Specified Rates

- 9.2.1 The current specified rates are:

Qualifying Home Loans	4.5%
All Other Loans	11%

These rates should be used until further notice.

- 9.2.2 The **specified rate** depends on whether the loan is a qualifying home loan or a loan for other purposes. A qualifying home loan is a loan which qualifies for mortgage interest relief. The specified rates are varied from time to time depending on changes in commercial rates.

9.3 Taxable benefit to which PAYE / PRSI applies

- 9.3.1 PAYE and PRSI are to be applied to the difference between the amount of interest paid or payable on the preferential loan in the tax year and the amount of interest which would have been payable in the tax year if the loan had been subject to the specified rate.
- 9.3.2 The basis used for the purposes of calculating the interest which would have been payable on the loan at the specified rate applicable should be the basis in use for the purposes of calculating the actual interest payable on the loan, e.g. based on the amount outstanding at the start of the year or on the reducing balance during the year.

Example 1

An employer makes a qualifying home loan to an employee. The loan amount is €10,000 and the interest rate is 2%. The loan term is one year and the interest is charged on the full amount.

The interest which would be payable on such a loan at the specified rate is €450 (€10,000 @ 4.5%).

The interest which will be actually paid on the loan at the agreed lending rate will be €200 (€10,000 @ 2%).

The taxable benefit is €250 (€450 - €200).

Notional pay of €250 (€4.80 per week/ €20.83 per month) must therefore be added to the employee’s money wages or salary for the year for the purpose of calculating PAYE and PRSI.

Example 2

An employer makes a car loan to an employee. The loan amount is €15,000 and the interest rate is 5%. The loan term is one year.

The interest which would be payable on such a loan at the specified rate in the year is €1650 (€15,000 @ 11%).

The interest which will be actually paid on the loan for the year at the agreed lending rate is €750 (€15,000 @ 5%).

The taxable benefit is €900 (€1,650 – €750).

Notional pay of €900 (€17.30 per week / €75 per month) must therefore be added to the employee’s money wages or salary for the year for the purpose of calculating PAYE and PRSI.

The interest which would be payable on such a loan at the specified rate is €450 (€10,000 @ 4.5%).

Example 3

On 1 January - 2004, an employer makes a qualifying home loan (for the purchase of a principle private residence) to an employee. The loan amount is €50,000 and the interest rate is 3%. The loan term is twenty years. At the end of the first year, the outstanding loan balance is €48,500.

Year 1

The interest which would be payable on such a loan at the specified rate is €50,000 @ 4.5% = €2,250.

The interest which will be actually paid on the loan at the agreed lending rate is €50,000 @ 3% = €1,500.

The taxable benefit in year 1 is €750 (€2,250 – €1,500) and notional pay of this amount (€14.42 per week / €62.50 per month) must be added to the employee’s money wages or salary for the purposes of calculating PAYE and PRSI.

Year 2

The interest which would be payable on the loan at the specified rate is €48,500 @ 4.5% = €2,182.50.

The interest which will be actually paid on the loan at the agreed lending rate is €48,500 @ 3% = €1,455.00.

The taxable benefit in year 2 is therefore €727.50 (€2,182.50 - €1,455.00) and notional pay equal to that amount (€13.99 per week / €60.62 per month) must be added to the employee's money wages or salary in that year for the purposes of calculating PAYE and PRSI.

Example 4

A company makes a car loan to a director. The loan amount is €15,000 and the interest rate is 0%. The loan term is five years and the loan is to be repaid at the rate of €3,000 per annum. The interest which would be payable on the loan for each year and the loan balances outstanding at each year end would be as follows:

	Interest	Balance
Year 1	€1,650 (€15,000 x 11%)	€12,000
Year 2	€1,320 (€12,000 x 11%)	€9,000
Year 3	€990 (€9,000 x 11%)	€6,000
Year 4	€660 (€6,000 x 11%)	€3,000
Year 5	€330 (€3,000 x 11%)	Nil

As no interest is actually payable on the loan, the taxable benefit for each year is the amount of interest calculated at the specified rate as shown above and notional pay equal to that amount should be added to the employee's money wages or salary for each year for the purposes of calculating PAYE and PRSI.

Chapter 10 - Other Benefits

10.1 Company Shares

Where shares in a company are given by the company to an employee free of charge or at a discounted price or under a share scheme, the employee is chargeable to tax on the benefit accruing to him or her. However, PAYE and PRSI do not apply. Instead, the benefit must be returned on the employee's return of income form.

The employer must also make a return of the benefit on form SO2 or form P11D, whichever is appropriate, by the appropriate due date.

10.2 Pension Contributions

10.2.1 PAYE and PRSI should not be applied to pension contributions paid by an employer in respect of an employee to Revenue-approved superannuation schemes and Personal Retirement Savings Accounts (PRSA's).

10.2.2 However, while PAYE and PRSI do not apply to an employer's contribution to an employee's PRSA, the contribution is nevertheless a taxable benefit in the employee's hands, subject to relief up to certain limits, and must be returned by the employer on form P11D.

10.3 Meals and Meal Vouchers

Canteen Meals

10.3.1 A taxable benefit does not arise in respect of free or subsidised meals in staff canteens where meals are provided for the staff generally. The facility must be available to **all** employees. Otherwise, the exemption does **not** apply. In the event that a taxable benefit does arise, the running costs must be apportioned, in a reasonable manner between those employees entitled to use the canteen, and taken into account as notional pay for PAYE and PRSI purposes.

Meal Vouchers

10.3.2 Where an employer provides luncheon or meal vouchers to employees there is a taxable benefit and the face value of the vouchers (disregarding 19c per voucher) must be taken into account as notional pay for PAYE and PRSI purposes.

10.4 Crèche/Childcare Facilities

Employer-provided facility

10.4.1 Where an employer provides free or subsidised childcare facilities for employees, a taxable benefit does not arise where the childcare facility is provided on **premises** which -

- (1) meet certain requirements of the Child Care (Pre-School Services) Regulations 1996, **and**

(2) are made available-

- solely by the employer,
- by the employer jointly with one or more other participants in a joint scheme and the employer is wholly or partly responsible for either-
 - financing and managing the facility, or
 - providing capital for the construction or refurbishment of the premises, or
- by any other person or persons and the employer is wholly or partly responsible for either -
 - financing and managing the facility, or
 - providing capital for the construction or refurbishment of the premises.

Independent facility

10.4.2 Where the above conditions are **not** complied with, e.g. where an employer merely pays for or subsidises the cost to an independent crèche or child care facility, the cost borne by the employer is a taxable benefit and PAYE and PRSI must be applied accordingly. In such circumstances, where an employer makes a block payment to a crèche or childcare facility, the amount paid should be apportioned and treated as notional pay of the respective employees. The apportionment of the block payment should be based on the facts, including the number of children concerned for each employee, and should lead to a result which is fair and reasonable.

10.5 Sports and Recreational Facilities

Facilities provided on the employer's premises

10.5.1 Where sports and recreational facilities are made available on the employer's premises for the use of employees generally, a taxable benefit is not treated as arising. The facility must be available to **all** employees. Where the facilities are not available to all employees there is a taxable benefit. The taxable benefit should be computed by apportioning the running costs in a reasonable manner between those employees entitled to avail of the facilities.

Corporate Membership paid by the employer

10.5.2 Where a corporate subscription to sports or recreational facilities is paid by an employer on behalf of an individual employee or specified employees, the amount paid must be treated as notional pay for PAYE and PRSI purposes.

Example 1

Where an annual corporate subscription of €10,000 is paid for club membership and use of the club is confined to 10 specific employees, the notional pay to be taken into account for each employee is €1,000 per annum.

Where a "group" membership is paid by the employer on behalf of employees generally, the cost incurred by the employer should be divided equally among all the employees who are entitled to and indicate an intention to participate in the scheme. No cost should be attributed to an employee who specifically informs the employer that he does not wish to, and will not, participate in the group scheme.

10.6 "En Bloc" Payments

Where a block payment (or an *en bloc* payment) is made by the employer in providing a benefit on behalf of employees generally, the payment should be divided equally amongst the employees entitled to benefit from the payment. Employees who specifically indicate that they do not wish to, and will not, benefit should be left out of account.

10.7 In-House Medical Plans/Corporate General Practitioner Services

Some employers operate in-house medical plans under which employees contribute to and claim from the plan. Employers will in some cases contribute to the plan to the extent that the aggregate claims by employees exceed the aggregate contributions made by employees in the relevant year. In other cases, employers may employ or pay a retainer to a general practitioner. In such circumstances PAYE and PRSI should not be applied to any benefit arising from the employer's contribution to the plan or payment of the general practitioner.

10.8 Staff Discounts

Price above cost to the employer

- 10.8.1 A discount, given by an employer (e.g. an employer in the retail sector) on the purchase of goods by an employee, is not regarded as a taxable benefit if the sum paid by the employee is equal to or greater than the cost to the employer of acquiring or manufacturing the goods.

Price below cost to the employer

- 10.8.2 However, where goods are sold below the employer's cost, the difference between that cost and the price paid is a taxable benefit and PAYE and PRSI must be operated on this amount.

10.9 Christmas parties and other inclusive events

Where an employer provides staff Christmas parties, special occasion meals or other inclusive events, such as sports days for staff, a taxable benefit will not be treated as arising where the expenses are reasonable.

10.10 Travel Passes

PAYE and PRSI should not be applied to the value of certain monthly or annual bus and train passes given to employees for use on a licensed passenger transport service.

Please refer to Appendix 5 for details.

10.11 Car Parking

Car parking facilities provided by an employer to employees are not treated as giving rise to a taxable benefit.

10.12 Work-related supplies

- 10.12.1 Office accommodation, furniture, supplies or services provided for the director or employee on the business premises and used by him or her solely in performing the duties of his or her office or employment do not give rise to a taxable benefit. In other words, facilities used solely for business purposes are tax-free and PAYE and PRSI are not to be applied to their value.

- 10.12.2 As regards eWorkers please see **Appendix 3**.

10.13 Laptops

Where an employer provides an employee with a laptop for business use, a taxable benefit will not be treated as arising where private use is merely incidental to the business use of the laptop.

10.14 Mobile phone provided by an Employer

Where an employer provides an employee with a mobile phone for business purposes and the employer bears the cost of use of the phone, a taxable benefit will not be treated as arising if private use is merely incidental to the business use of the phone.

10.15 Home High-Speed Internet Connection

Where an employer provides an employee with a home high-speed internet connection (DSL, Broadband or similar technology) for business purposes and the employer bears the costs of its installation and use, a taxable benefit will not be treated as arising where private use is merely incidental to the business use of the connection.

10.16 Computers and Other Equipment provided in Employee's Home

- 10.16.1 A taxable benefit will arise on an employee in respect of a computer or other equipment provided in an employee's home for the employee's private use. The notional pay is calculated in accordance with the rules set out in *Chapter 8 (Free Use of Assets other than accommodation, company cars or vans)*, i.e. 5% of the market value of the asset when first provided as a benefit.

Example 2

An employer provides a computer, printer and ancillary equipment to an employee for private use at home. The employer retains ownership of the equipment. The original cost of the equipment to the employer was €3,000. The equipment is first provided to an employee for home use on 1 January 2004 when it has a market value of €2,500.

The notional pay of the employee for the year 2004 (and subsequent years) arising from the private use of the equipment is $€2,500 \times 5\% = €125$ (€2.40 per week / €10.41 per month).

10.16.2 However, a taxable benefit will **not** arise where the computer or other equipment is provided in the employee's home for business purposes and private use is incidental.

10.17 Home Telephone provided by an Employer

Second Home Telephone Account

10.17.1 Where an employer provides a home telephone for business use to an employee and the employer bears the costs of the use of the phone, no taxable benefit will be treated as arising where private use is incidental.

Single Home Telephone Account

10.17.2 Where a home telephone is used for business and private use and the employer pays any associated costs such as the line rental and/or the monthly/bi-monthly telephone bill, a taxable benefit will arise. The amount to be taken into account as the notional pay is **50% of the cost** to the employer, less any amount made good by the employee to the employer. However, where the private costs are lower, the notional pay may be restricted to those costs. Records in support of the notional pay, however computed, must be kept for inspection by Revenue, if required – see Chapter 11 – Records to be kept.

10.18 Corporate Charge Cards

Business Use Only

10.18.1 Where the charge card is provided by the employer to the employee exclusively for business use, any annual membership or stamp duty paid by the employer in connection with the card will not be regarded as a taxable benefit.

Business and Private Use

10.18.2 Where the card can be used by the employee for private purchases, or other private payments, any amounts paid in respect of the employee's private purchases, or for other non-business purposes, and not made good by the employee to the employer will be taxable benefits and PAYE and PRSI will apply.

10.19 Medical Check-ups

The provision of medical check-ups which employees are required to undergo by their employer will not be regarded as taxable benefits.

10.20 Course or exam fees

10.20.1 Refunds of course or exam fees to an employee which have been paid by the employee, or direct payments of course or exam fees by the employer, will not be treated as giving rise to a taxable benefit where the course undertaken is relevant to the business of the employer.

10.20.2 A course is regarded as relevant to the business of the employer where it leads to the acquisition of knowledge or skills which are -

- necessary for the duties of the employment, or
- directly related to increasing the effectiveness of the performance of the employee's or director's present or prospective duties in the office or employment.

10.21 Professional subscriptions

Where the employer pays a subscription to a professional body on behalf of an employee, or reimburses the employee who has paid such a subscription, a taxable benefit or emoluments will not be treated as arising if membership of that professional body is relevant to the business of the employer.

Membership of a professional body can be regarded as relevant to the business of the employer where it facilitates the acquisition of knowledge which is necessary for the duties of the employment, or directly related to the performance of the employee's or director's present or prospective duties in the office or employment.

Where membership of a professional body cannot be so regarded as relevant to the business of the employer, the subscription paid by the employer directly or by reimbursement will be regarded as a taxable benefit, to be included as notional pay or emoluments for PAYE and PRSI purposes.

10.22 Provision of newspapers, periodicals etc.

Where an employer provides employees with free periodicals, newspapers etc. which are generally related to the employer's business a taxable benefit will not be treated as arising.

10.23 Examination Awards

Reimbursement of Expenses

10.23.1 Examination Awards made to an employee, in the context of passing an examination, or acquiring a qualification which bears some relationship to the employee's duties, will not be treated as giving rise to a taxable benefit. This treatment is subject to the condition that the award is an amount that can reasonably be regarded as a reimbursement of expenses likely to have been incurred in studying for the qualification or sitting the examination.

Special Increments

10.23.2 Special increments of salary awarded on passing an examination or other such "recognition" payments are chargeable as part of an employee's remuneration in the normal way.

- the award is made as a testimonial to mark long service of not less than 20 years,
- the award takes the form of a **tangible article(s)** of reasonable cost,
- the cost does not exceed €50 for each year of service, and
- no similar award has been made to the recipient within the previous 5 years.

10.26.2 This treatment does **not** apply to awards made in cash or in the form of vouchers, bonds etc. Where any of the conditions in paragraph 10.26.1 above are not met PAYE and PRSI must be applied to the value of the award.

10.24 Exceptional Performance Awards

Taxable Benefits

10.24.1 Where an employer has a scheme in place to reward exceptional performance, any awards received under such schemes are taxable benefits. The treatment is as follows:

- Where the award is made in cash, it must pass through the payroll system and PAYE/PRSI must be applied to the amount of the award.
- Where the award is made by way of gift or voucher, the value of the gift or voucher is a taxable benefit to which PAYE and PRSI must be applied.

"Tax-free" awards must be grossed up

10.24.2 If an employer wishes to discharge the tax on the exceptional performance award made, whether in the form of cash or in the form of gifts or vouchers, so that the awards are made to the employees concerned "tax-free", the value of each award made must be grossed up for the purposes of computing the PAYE and the PRSI to be remitted by the employer. Please refer to *paragraph 3.6.4 and 3.6.5 of Chapter 3* in relation to grossing-up.

10.25 Staff Suggestion Schemes

The previous practice regarding such schemes is withdrawn with effect from 1 January 2004. Awards made on or after that date under Staff Suggestion Schemes are to be treated as giving rise to a taxable benefit and PAYE and PRSI must be applied to the value of the award.

10.26 Long Service Awards

10.26.1 A taxable benefit does not arise in respect of Long Service Awards where the following conditions are satisfied -

Chapter 11 - Records

11.1 Records to be Kept

11.1.1 Employers must retain, in respect of each employee -

- a record of all benefits provided, and
- the computation of the amount of each taxable benefit.

11.1.2 A record of amounts of tax due on benefits recouped from employees other than by way of normal deduction from money wages or salary must be retained by employers.

11.1.3 All records, calculations, and documentation relating to the valuation of benefits provided to employees must be retained by the employer for examination in the event of an audit. The records must be kept for 6 years unless Revenue advises otherwise.

11.1.4 **If an employer has doubts about the adequacy of the tax records for employees, the local Tax Office can be consulted.**

11.2 Completion of forms P35, P45 and P60

11.2.1 For the year 2004 and subsequent years, the gross pay on the form P35 (end of year return) for each employee should include any taxable benefit received by that employee during the year. In addition, the total amount of taxable benefits in the year for **all** employees should be included in the appropriate section of the summary page of the P35.

11.2.2 The employee forms P45 and P60 should reflect the **total** of the ordinary money wages or salary **plus** the amount of any taxable benefit paid during the year and the PAYE and PRSI paid in respect of the aggregate sum.

11.2.3 Where emoluments or taxable benefits have been regrossed for tax and PRSI purposes, the amounts included in respect of pay, tax and PRSI on forms P35, P45 and P60 should be shown at their regrossed values (see *paragraph 3.6.7*).

11.2.4 The preceding paragraphs do not apply to employer arrangements referred to at *paragraphs 3.6.1 to 3.6.6*. However, a supplementary form P35 showing the regrossed taxable benefits must be supplied.

11.3 Form P11D

It will not be necessary to return on Forms P11D benefits that have been taxed under the PAYE arrangements explained in this Guide.

Appendix 1

Use of the Weekly / Monthly Ready Reckoner

1. These ready reckoners are designed to assist the employer in calculating the notional pay appropriate to the private use of a company car provided to an employee.
2. There are separate ready reckoners for weekly paid and monthly paid employees. However, the weekly reckoner may be used for other pay periods, e.g. the figures corresponding to every second pay week will be applicable to fortnightly paid employees, every fourth pay week will be applicable to four weekly paid employees.
3. The ready reckoners are effective **irrespective** of whether the car was available on 1 January in the year or made available at a later date in the year or was given up during the course of the year. Using the ready reckoners should, in general, ensure that the correct amount is taken into account for PAYE and PRSI purposes for whatever period of the year a car is available. Where the company car is changed, refer to Paragraph 10 below.
4. The cumulative mileage in the ready reckoners refers to cumulative **business** mileage in the tax year in relation to the particular car.
5. OMV refers to the Original Market Value of the company car.
6. For weekly paid employees who have the use of a company car as at 1 January 2004, the charge corresponding to week 1 on the weekly reckoner will apply.
7. For monthly paid employees who have the use of a company car as at 1 January 2004, the charge corresponding to month 1 on the monthly reckoner will apply.
8. For all other employees, week 1 / month 1 corresponds to the first pay period during which the company car was provided, e.g. where an employee receives a company car on 1 June 2004, the notional pay for the first pay period is calculated by reference to the charge shown at week 1/ month 1 as appropriate and so on for the balance of the year.
9. The cumulative amount of notional pay for a pay period should be added on the TDC or own system to the cumulative normal pay for that period and PAYE and PRSI operated on the cumulative aggregate – see sample TDC entries in the examples below.
10. Where an employee changes company cars during the year, the notional pay in respect of the new car is to be calculated on the same basis as a car first acquired during the course of a year – see *paragraph 8* above. The percentages for week1/month1 are to be applied to the OMV of the new car for the first pay period in which the car is available and so on for the balance of the year. Where the change takes place during the course of a pay period the notional pay for that period should be calculated on a *pro rata* basis in respect of both cars.
11. Any amounts made good to the employer in a year in respect of the cost of providing a car should, on a cumulative basis, be deducted from the notional pay in relation to the car calculated by reference to the ready reckoner. The cumulative amount from the previous 1 January or the appropriate later date, where the car is acquired during the course of the year including a change of car, should be used.
12. In the absence of actual business mileage for the first pay period a reasonable estimate may be used and the matter corrected in later pay periods as actual figures become available.

The following examples illustrate how the ready reckoners should be used.

Example 1 - Weekly paid employee

A weekly paid employee earning €500 per week has a company car (original market value €20,000) at 1 January 2004. She travels 500 business miles in the first week and pays €20 per week to her employer towards the running cost of the car.

As this is the first week during which the employee has the use of the company car in the tax year, **week 1** applies. The business mileage falls into **Band 4**. The notional pay is therefore calculated as follows -

Cash equivalent: €20,000 x 0.23%	=	€46
Less amount made good to employer	=	<u>€20</u>
Notional pay	=	€26

For the purposes of calculating PAYE/PRSI the notional pay of €26 in week 1 should be added to the actual pay of €500 for that week, making the gross pay for week 1 and the cumulative gross pay for week 1 - €526.

Week No.	G Gross Pay (less Superannuation) This period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	526.00	526.00	538.46	105.20	0.00	105.20	44.61	60.59	60.59	
2			1076.92				89.22			

The net actual pay due to the employee in week 1 is €439.41 (€500 – tax due €60.59) less PRSI due.

In week 2, the employee does a further 100 business miles. She continues to make good €20 per week direct to her employer for the use of the car.

As this is the second week during which the employee has the use of the company car in the tax year, **week 2** applies. The cumulative business mileage (600 miles) now falls into **Band 2**. The cumulative notional pay is calculated as follows -

Cumulative cash equivalent: €20,000 x 0.92%	=	€184
Less cumulative amount made good	=	<u>€40</u>
Cumulative notional pay	=	€144
Notional pay for week 2 is €118 (€144 - €26)		

For the purposes of calculating PAYE/PRSI, the notional pay of €118 in week 2 should be added to the actual pay of €500 for that week making the gross pay for week 2 - €618 and the cumulative gross pay for week 2 - €1144 (€618 + €526).

Week No.	G Gross Pay (less Superannuation) This period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	526.00	526.00	538.46	105.20	0.00	105.20	44.61	60.59	60.59	
2	618.00	1144.00	1076.92	215.38	28.17	243.55	89.22	154.33	93.74	
3			1615.38				133.83			

The net actual pay due to the employee in week 2 is €406.26 (€500 – tax due €93.74) less PRSI due.

In week 3, the employee does a further 500 business miles. She continues to make good €20 per week direct to her employer for the use of the car.

As this is the third week during which the employee has the use of the company car in the tax year, **week 3** applies. The cumulative business mileage (1,100) now falls into **Band 2**. The cumulative notional pay is calculated as follows -

Cumulative cash equivalent €20,000 x 1.38%	=	€276
Less cumulative amount made good	=	<u>€60</u>
Cumulative notional pay	=	€216
Notional pay for week 3 is €72 (€216 - €144)		

For the purposes of calculating PAYE/PRSI, the notional pay in week 3 of €72 should be added to the actual pay of €500 for that week making the gross pay for week 3 - €572 and the cumulative gross pay for week 3 - €1716 (€1144 + 572).

Week No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	526.00	526.00	538.46	105.20	0.00	105.20	44.61	60.59	60.59	
2	618.00	1144.00	1076.92	215.38	28.17	243.55	89.22	154.33	93.74	
3	572.00	1716.00	1615.38	323.07	42.26	365.33	133.83	231.50	77.17	
4			2153.84				178.44			

The net actual pay due to the employee in week 3 is €422.83 (€500 – tax due €77.17) less PRSI due.

Example 2 – Car made available for part of year only.

A monthly paid employee is given the use of a company car (original market value €30,000) on 1 June 2004 (month 6 of the tax year). She travels 1200 business miles in the first month and pays €100 to her employer towards the running cost of the car. Her normal cash salary is €2,500 per month.

As this is the first month during which the employee has the use of the company car in the tax year, **month 1** applies. The business mileage falls into **Band 1**. The notional pay is therefore calculated as follows:

Cash equivalent: €30,000 x 2.5%	=	€750
Less amount made good to employer	=	<u>€100</u>
Notional pay for month 6 of tax year	=	€650

For the purposes of calculating PAYE and PRSI, the notional pay in month 6 of €650 should be added to the actual pay of €2,500 for that month, making the gross pay for month 6 - €3,150 and the cumulative gross pay for month 6 - €15,650 (€12,500 + €3,150).

Month No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	2500.00	2500.00	2333.33	466.66	70.00	536.66	193.33	343.33	343.33	
2	2500.00	5000.00	4666.66	933.33	140.00	1073.33	386.66	686.67	343.34	
3	2500.00	7500.00	6999.99	1400.00	210.00	1610.00	579.99	1030.01	343.34	
4	2500.00	10000.00	9333.32	1866.66	280.00	2146.66	773.32	1373.34	343.33	
5	2500.00	12500.00	11666.65	2333.33	350.00	2683.33	966.65	1716.68	343.34	
6	3150.00	15650.00	13999.98	2800.00	693.00	3493.00	1159.98	2333.02	616.34	
7			16333.31				1353.31			

The net actual pay due to the employee in month 6 is €1,883.66 (€2,500 – tax due €616.34) less PRSI due.

In July 2004 (month 7 of the tax year) the employee does a further 2000 business miles. She continues to make good €100 per month direct to her employer for the use of the car.

As this is the second month during which the employee has the use of the company car in the tax year, **the cash equivalent for the car must be calculated by reference to month 2 of the ready reckoner**. The cumulative business mileage (3,200 miles) now falls into **Band 2**. The cumulative notional pay is calculated as follows:

Cumulative cash equivalent: €30,000 x 4%	=	€1,200
Less cumulative amount made good to employer	=	<u>€200</u>
Cumulative notional pay	=	€1,000
Notional pay for month 2 is		€350 (€1,000 - €650)

For the purposes of calculating PAYE and PRSI, the notional pay in month 7 of €350 should be added to the actual pay of €2,500 for that month, making the gross pay for month 7 - €2,850 and the cumulative gross pay for month 7 - €18,500 (€15,650 + €2,850)

Month No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	2500.00	2500.00	2333.33	466.66	70.00	536.66	193.33	343.33	343.33	
2	2500.00	5000.00	4666.66	933.33	140.00	1073.33	386.66	686.67	343.34	
3	2500.00	7500.00	6999.99	1400.00	210.00	1610.00	579.99	1030.01	343.34	
4	2500.00	10000.00	9333.32	1866.66	280.00	2146.66	773.32	1373.34	343.33	
5	2500.00	12500.00	11666.65	2333.33	350.00	2683.33	966.65	1716.68	343.34	
6	3150.00	15650.00	13999.98	2800.00	693.00	3493.00	1159.98	2333.02	616.34	
7	2850.00	18500.00	16333.31	3266.66	910.00	4176.66	1353.31	2823.35	490.33	
8			18666.64				1546.64			

The net actual pay due to the employee in month 7 is €2,009.67 (€2,500 – tax due €490.33) less PRSI due.

In August 2004 (month 8 of the tax year) the employee does a further 2,500 business miles. She continues to make good €100 per month direct to her employer for the use of the car.

As this is the third month during which the employee has the use of the company car in the tax year, **the cash equivalent for the car must be calculated by reference to month 3 of the ready reckoner**. The cumulative business mileage (5,700 miles) now falls into **Band 3**. The cumulative notional pay is therefore calculated as follows:

Cumulative cash equivalent: €30,000 x 4.5%	=	€1,350
Less cumulative amount made good to employer	=	<u>€300</u>
Cumulative notional pay	=	€1,050
Notional pay for month 3 is only		€50 (€1,050 - €1,000)

For the purposes of calculating PAYE and PRSI, the notional pay in month 7 of the tax year of €50 should be added to the actual pay of €2,500 for that month, making the gross pay for month 8 - €2,550 and the cumulative gross pay for month 8 - €21,050 (€18,500 + €2,550).

Month No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	2500.00	2500.00	2333.33	466.66	70.00	536.66	193.33	343.33	343.33	
2	2500.00	5000.00	4666.66	933.33	140.00	1073.33	386.66	686.67	343.34	
3	2500.00	7500.00	6999.99	1400.00	210.00	1610.00	579.99	1030.01	343.34	
4	2500.00	10000.00	9333.32	1866.66	280.00	2146.66	773.32	1373.34	343.33	
5	2500.00	12500.00	11666.65	2333.33	350.00	2683.33	966.65	1716.68	343.34	
6	3150.00	15650.00	13999.98	2800.00	693.00	3493.00	1159.98	2333.02	616.34	
7	2850.00	18500.00	16333.31	3266.66	910.00	4176.66	1353.31	2823.35	490.33	
8	2550.00	21050.00	18666.64	3733.33	1001.01	4734.34	1546.64	3187.70	364.35	
9			20999.97				1739.97			

The net actual pay due to the employee in month 8 is €2,135.65 (€2,500 – tax due €364.35) less PRSI due.

Example 3 - Change of Company Car

A monthly paid employee has a company car (original market value €30,000) at 1 January 2004. She travels 1200 business miles in the first month and pays €100 to her employer towards the running cost of the car. Her normal cash salary is €3,500 per month.

Month 1

As this is the first month during which the employee has the use of the company car in the tax year, **month 1** applies. The business mileage falls into **Band 1**. The notional pay is therefore calculated as follows:

Cash equivalent: €30,000 x 2.5%	=	€750
Less amount made good to employer	=	€100
Notional pay	=	€650

For the purposes of calculating PAYE/PRSI the notional pay of €650 in month 1 should be added to the actual pay of €3,500 for that month, making the gross pay for month 1 and the cumulative gross pay for month 1 - €4,150.

Month No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	4150.00	4150.00	2333.33	466.66	763.00	1229.66	193.33	1036.33	1036.33	
2			4666.66				386.66			

The net actual pay due to the employee in month 1 is €2,463.67 (€3,500 – tax due €1036.33) less PRSI due.

Month 2

In February 2004, the employee does a further 2000 business miles. She continues to make good €100 per month direct to her employer for the use of the car.

As this is the second month during which the employee has the use of the company car in the tax year, **month 2** applies. The cumulative business mileage (3,200 miles) now falls into **Band 2**. The cumulative notional pay is calculated as follows:

Cumulative cash equivalent: €30,000 x 4%	=	€1,200
Less cumulative amount made good to employer	=	€200
Cumulative notional pay	=	€1,000
Notional pay for month 2 is €350 (€1,000 - €650)		

For the purposes of calculating PAYE/PRSI the notional pay of €350 in month 2 should be added to the actual pay of €3,500 in month 2 making the gross pay for that month - €3,850 and the cumulative gross pay for month 2 - €8,000.

Month No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	4150.00	4150.00	2333.33	466.66	763.00	1229.66	193.33	1036.33	1036.33	
2	3850.00	8000.00	4666.66	933.33	1400.00	2333.33	386.66	1946.67	910.34	
3			6999.99				579.99			

The net actual pay due to the employee in month 2 is €2589.66 (€3,500 – tax due €910.34) less PRSI due.

Month 3

Half-way through month 3, the employee changes to a different company car. The new car has an original market value of €20,000. She does a further 1,500 business miles in month 3 – 1,000 miles in car 1 and 500 miles in car 2 - and continues to make good €100 per month (€50 for each car) direct to her employer for the use of the car.

The taxable benefit for month 3 must be calculated by reference to the use of each of the cars in that month.

First Car

Cumulative mileage in car 1 for months 1, 2 and 3 is 4,200. **This is in band 2 of month 3.**

Cash equivalent €30,000 x 6% = €1,800
Less cumulative amount made good 250
 €1,550

Notional pay in respect of Car 1 for Month 3 is **€275** {(€1,550 - €1,000) x ½}

Second Car

Cumulative mileage in Car 2 for month 3 is 500. **Because of the change of car, the calculation of the cash equivalent for car 2 reverts to month 1 of the ready reckoner and the 500 mileage falls within Band 1.**

Cash equivalent €20,000 x 2.5% = €500
Less amount made good 50
 €450

Notional pay in respect of Car 2 for month 3 is **€225** (€450 x ½)

The notional pay to be taken into account for month 3 in respect of both cars is €500 (i.e. €275 + €225)

The cumulative notional pay for month 3 is arrived at by adding the amounts calculated for the first and second cars e.g.

Cumulative Notional Pay for months 1 and 2 = €1,000
 Notional Pay for month 3 = € 500
 Cumulative Notional Pay for month 3 = €1,500

For the purposes of calculating PAYE and PRSI the monthly pay in month 3 of €500 should be added to the actual pay of €3500 for that month, making the gross pay for month 3 - €4,000 and the cumulative gross pay for month 3 - €12,000 (€8,000 + €4,000).

Month No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Cannot be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	4150.00	4150.00	2333.33	466.66	763.00	1229.66	193.33	1036.33	1036.33	
2	3850.00	8000.00	4666.66	933.33	1400.00	2333.33	386.66	1946.67	910.34	
3	4000.00	12000.00	6999.99	1399.99	2100.00	3499.99	579.99	2920.00	973.33	
4			9333.32				773.32			

The net actual pay due to the employee in month 3 is €2,526.67 (€3,500 – tax due €973.33) less PRSI due.

N.B. The notional pay calculation for month 4 is based on the cumulative business mileage in car 2 and **must be calculated by reference to month 2 on the ready reckoner as this is the second month that the employee has car 2.**

The employee travels 2,000 business miles in each of months 4 and 5 and continues to pay €100 per month to her employer towards the running cost of the car. Her normal cash salary remains at €3,500 per month.

Month 4

As this is the second month during which the employee has the use of the company car 2 in the tax year, **month 2** applies in respect of that car. The cumulative business mileage for car 2 is 2,500 miles (500 + 2,000). This now falls into **Band 2**. The cumulative notional pay is calculated as follows:

Cumulative cash equivalent: €20,000 x 4% = €800
Less cumulative amount made good to employer = €150
 Cumulative notional pay for car 2 = €650

As €225 notional pay ($€450 \times \frac{1}{2}$) has already been taken into account for car 2 during month 3, the notional pay for month 4 is €425 ($€650 - €225$).

For the purposes of calculating PAYE and PRSI the notional pay in month 4 of €425 should be added to the actual pay of €3,500 for that month, making the gross pay for month 4 - €3,925 and the cumulative gross pay for month 4 - €15,925. ($€12,000 + €3,925$)

Month No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Can not be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	4150.00	4150.00	2333.33	466.66	763.00	1229.66	193.33	1036.33	1036.33	
2	3850.00	8000.00	4666.66	933.33	1400.00	2333.33	386.66	1946.67	910.34	
3	4000.00	12000.00	6999.99	1399.99	2100.00	3499.99	579.99	2920.00	973.33	
4	3925.00	15925.00	9333.32	1866.66	2768.50	4635.16	773.32	3861.84	941.84	
5			11666.65				966.65			

The net actual pay due to the employee in month 4 is €2,558.16 ($€3,500 - \text{tax due } €941.84$) less PRSI due.

Month 5

As this is the third month during which the employee has the use of the company car 2 in the tax year, **month 3** applies in respect of that car. The cumulative business mileage for car 2 is 4,500 miles ($500 + 2,000 + 2,000$). This now falls into **Band 2**. The cumulative notional pay is calculated as follows:

Cumulative cash equivalent: $€20,000 \times 6\%$	=	€1,200
Less cumulative amount made good to employer	=	<u>€250</u>
Cumulative notional pay for car 2	=	€950
Less amount already taken into account	=	<u>€650</u>
Notional pay for month 5 is	=	€ 300

For the purposes of calculating PAYE/PRSI the notional pay in month 5 of €300 should be added to the actual pay of €3,500 for that month, making the gross pay for month 5 - €3,800 and the cumulative gross pay for month 4 - €19,725. ($€15,925 + €3,800$).

Month No.	G Gross Pay (less Superannuation) this period	H Cumulative Gross Pay to date	I Cumulative Standard Rate Cut-off-Point	J Cumulative Tax Due at Standard Rate	K Cumulative Tax Due at Higher Rate	L Cumulative Gross Tax	M Cumulative Tax Credit	N Cumulative Tax (Can not be less than 0)	O Tax Deducted this period	P Tax refunded this period
1	4150.00	4150.00	2333.33	466.66	763.00	1229.66	193.33	1036.33	1036.33	
2	3850.00	8000.00	4666.66	933.33	1400.00	2333.33	386.66	1946.67	910.34	
3	4000.00	12000.00	6999.99	1399.99	2100.00	3499.99	579.99	2920.00	973.33	
4	3925.00	15925.00	9333.32	1866.66	2768.50	4635.16	773.32	3861.84	941.84	
5	3800.00	19725.00	11666.65	2333.33	3384.50	5717.83	966.65	4751.18	889.34	

The net actual pay due to the employee in month 5 is €2,610.66 ($€3,500 - \text{tax due } €889.34$) less PRSI due.

Monthly Ready Reckoner

Pay Month	Cumulative Mileage	Charge OMV x relevant %	Cumulative OMV x relevant % Mileage (between)	Charge OMV x relevant %	Cumulative Mileage (between)	Charge OMV x relevant %	Cumulative Mileage (between)	Charge OMV x relevant %	Cumulative Mileage	Charge OMV x relevant %
	Band 1		Band 2		Band 3		Band 4		Band 5	
1	less than 1250	2.5%	1250 and 1667	2 %	1668 and 2083	1.5%	2084 and 2500	1%	2501 or more	0.50%
2	less than 2500	5%	2500 and 3333	4 %	3334 and 4167	3%	4168 and 5000	2%	5110 or more	1%
3	less than 3750	7.5%	3750 and 5000	6 %	5001 and 6250	4.5%	6251 and 7500	3%	7501 or more	1.5%
4	less than 5000	10%	5000 and 6667	8 %	6668 and 8333	6%	8334 and 10000	4%	10001 or more	2%
5	less than 6250	12.5%	6250 and 8333	10%	8334 and 10417	7.5%	10418 and 12500	5%	12501 or more	2.5%
6	less than 7500	15%	7500 and 10000	12%	10001 and 12500	9%	12501 and 15000	6%	15001 or more	3%
7	less than 8750	17.5%	8750 and 11667	14%	11668 and 14583	10.5%	14854 and 17500	7%	17501 or more	3.5%
8	less than 10000	20%	10000 and 13333	16%	13334 and 16667	12%	16668 and 20000	8%	20001 or more	4%
9	less than 11250	22.5%	11250 and 15000	18%	15001 and 18750	13.5%	18751 and 22500	9%	22501 or more	4.5%
10	less than 12500	25%	12500 and 16667	20%	16668 and 20833	15%	20834 and 25000	10%	25001 or more	5%
11	less than 13750	27.5%	13750 and 18333	22%	18334 and 22917	16.5%	22918 and 27500	11%	27501 or more	5.5%
12	less than 15000	30%	15000 and 20000	24%	20001 and 25000	18%	25001 and 30000	12%	30001 or more	6%

Weekly Ready Reckoner

Pay Week	Cumulative Mileage	Charge OMV x relevant %	Cumulative OMV x relevant % Mileage (between)	Charge OMV x relevant %	Cumulative Mileage (between)	Charge OMV x relevant %	Cumulative Mileage (between)	Charge OMV x relevant %	Cumulative Mileage	Charge OMV x relevant %
	Band 1		Band 2		Band 3		Band 4		Band 5	
1	under 288	0.58%	289 and 385	0.46%	386 and 481	0.35%	482 and 577	0.23%	578 or more	0.12%
2	under 577	1.15%	578 and 769	0.92%	770 and 962	0.69%	963 and 1154	0.46%	1155 or more	0.23%
3	under 865	1.73%	866 and 1154	1.38%	1155 and 1442	1.04%	1443 and 1731	0.69%	1732 or more	0.35%
4	under 1154	2.30%	1155 and 1538	1.85%	1539 and 1923	1.38%	1924 and 2308	0.92%	2309 or more	0.46%
5	under 1442	2.88%	1443 and 1923	2.31%	1924 and 2404	1.73%	2405 and 2885	1.15%	2886 or more	0.58%
6	under 1731	3.46%	1732 and 2308	2.77%	2309 and 2885	2.08%	2886 and 3462	1.38%	3463 or more	0.69%
7	under 2019	4.03%	2020 and 2692	3.23%	2693 and 3365	2.42%	3366 and 4038	1.62%	4039 or more	0.81%
8	under 2308	4.62%	2309 and 3077	3.69%	3078 and 3846	2.77%	3847 and 4615	1.85%	4616 or more	0.92%
9	under 2596	5.19%	2697 and 3462	4.15%	3463 and 4327	3.12%	4328 and 5192	2.08%	5193 or more	1.04%
10	under 2885	5.77%	2886 and 3846	4.62%	3847 and 4808	3.46%	4809 and 5769	2.31%	5770 or more	1.15%
11	under 3173	6.35%	3174 and 4231	5.08%	4232 and 5288	3.81%	5289 and 6346	2.54%	6347 or more	1.27%
12	under 3462	6.92%	3463 and 4615	5.54%	4616 and 5769	4.15%	5770 and 6923	2.77%	6924 or more	1.38%
13	under 3750	7.50%	3751 and 5000	6 %	5001 and 6250	4.50%	6251 and 7500	3%	7501 or more	1.50%
14	under 4038	8.08%	4039 and 5385	6.46%	5386 and 6731	4.85%	6732 and 8077	3.23%	8078 or more	1.62%
15	under 4327	8.65%	4328 and 5769	6.92%	5770 and 7212	5.19%	7213 and 8654	3.46%	8655 or more	1.73%
16	under 4615	9.23%	4616 and 6154	7.38%	6155 and 7692	5.54%	7693 and 9231	3.69%	9232 or more	1.85%
17	under 4904	9.80%	4905 and 6538	7.85%	6539 and 8173	5.88%	8174 and 9808	3.92%	9809 or more	1.96%
18	under 5192	10.38%	5193 and 6923	8.31%	6924 and 8654	6.23%	8655 and 10385	4.15%	10386 or more	2.08%
19	under 5481	10.96%	5482 and 7308	8.77%	7309 and 9135	6.58%	9136 and 10962	4.38%	10963 or more	2.19%
20	under 5769	11.54%	5770 and 7692	9.23%	7693 and 9615	6.92%	9616 and 11538	4.62%	11539 or more	2.31%
21	under 6058	12.12%	6059 and 8077	9.69%	8078 and 10096	7.27%	10097 and 12115	4.85%	12116 or more	2.42%
22	under 6346	12.69%	6347 and 8462	10.15%	8463 and 10577	7.62%	10578 and 12692	5.08%	12693 or more	2.54%
23	under 6635	13.27%	6636 and 8846	10.62%	8847 and 11058	7.96%	11059 and 13269	5.31%	13270 or more	2.65%
24	under 6923	13.85%	6924 and 9231	11.08%	9232 and 11538	8.31%	11539 and 13846	5.54%	13847 or more	2.77%

25	under 7212	14.42%	7213 and 9615	11.54%	9616 and 12019	8.65%	12020 and 14423	5.77%	14424 or more	2.88%
26	under 7500	15%	7501 and 10000	12%	10001 and 12500	9%	12501 and 15000	6%	15001 or more	3%
27	under 7788	15.58%	7789 and 10385	12.46%	10386 and 12981	9.35%	12982 and 15577	6.23%	15578 or more	3.12%
28	under 8077	16.15%	8078 and 10769	12.92%	10770 and 13462	9.69%	13463 and 16154	6.46%	16155 or more	3.23%
29	under 8365	16.73%	8366 and 11154	13.38%	11155 and 13942	10.04%	13943 and 16731	6.69%	16732 or more	3.35%
30	under 8654	17.30%	8655 and 11538	13.85%	11539 and 14423	10.38%	14424 and 17308	6.92%	17309 or more	3.46%
31	under 8942	17.88%	8943 and 11923	14.31%	11924 and 14904	10.73%	14905 and 17885	7.15%	17886 or more	3.58%
32	under 9231	18.46%	9232 and 12308	14.77%	12309 and 15385	11.08%	15386 and 18462	7.38%	18463 or more	3.69%
33	under 9519	19.04%	9520 and 12692	15.23%	12693 and 15865	11.42%	15866 and 19038	7.62%	19039 or more	3.81%
34	under 9808	19.62%	9809 and 13077	15.69%	13078 and 16346	11.77%	16347 and 19615	7.85%	19616 or more	3.92%
35	under 10096	20.19%	10097 and 13462	16.15%	13463 and 16827	12.12%	16828 and 20192	8.08%	20193 or more	4.04%
36	under 10385	20.77%	10386 and 13846	16.62%	13847 and 17308	12.46%	17309 and 20769	8.31%	20770 or more	4.15%
37	under 10673	21.35%	10674 and 14231	17.08%	14232 and 17788	12.81%	17789 and 21346	8.54%	21347 or more	4.27%
38	under 10962	21.92%	10963 and 14615	17.54%	14616 and 18269	13.15%	18270 and 21923	8.77%	21924 or more	4.38%
39	under 11250	22.50%	11251 and 15000	18%	15001 and 18750	13.50%	18751 and 22500	9%	22501 or more	4.50%
40	under 11538	23.08%	11539 and 15385	18.46%	15386 and 19231	13.85%	19232 and 23077	9.23%	23078 or more	4.62%
41	under 11827	23.65%	11828 and 15769	18.92%	15770 and 19712	14.19%	19713 and 23654	9.46%	23655 or more	4.73%
42	under 12115	24.23%	12116 and 16154	19.38%	16155 and 20192	14.54%	20193 and 24231	9.69%	24232 or more	4.85%
43	under 12404	24.80%	12405 and 16538	19.85%	16539 and 20673	14.88%	20674 and 24808	9.92%	24809 or more	4.96%
44	under 12692	25.38%	12693 and 16923	20.31%	16924 and 21154	15.23%	21155 and 25385	10.15%	25386 or more	5.08%
45	under 12981	25.96%	12982 and 17308	20.77%	17309 and 21635	15.58%	21636 and 25962	10.38%	25963 or more	5.19%
46	under 13269	26.54%	13270 and 17692	21.23%	17693 and 22115	15.92%	22116 and 26538	10.62%	26539 or more	5.31%
47	under 13558	27.12%	13559 and 18077	21.69%	18078 and 22596	16.27%	22597 and 27115	10.85%	27116 or more	5.42%
48	under 13846	27.69%	13847 and 18462	22.15%	18463 and 23077	16.62%	23078 and 27692	11.08%	27693 or more	5.54%
49	under 14135	28.27%	14136 and 18846	22.62%	18847 and 23558	16.96%	23559 and 28269	11.31%	28270 or more	5.65%
50	under 14423	28.85%	14424 and 19231	23.08%	19232 and 24038	17.31%	24039 and 28846	11.54%	28847 or more	5.77%
51	under 14712	29.42%	14713 and 19615	23.54%	19616 and 24519	17.65%	24519 and 29423	11.77%	29424 or more	5.88%
52	under 15000	30%	15001 and 20000	24%	20001 and 25000	18%	25001 and 30000	12%	30001 or more	6%

Appendix 2

This leaflet covers re-imburement of Motoring Expenses to Employees (including Directors)

Introduction

Payments by an employer which are no more than re-imburement of allowable expenses actually incurred by an employee may be paid free of tax in certain circumstances, in accordance with legislation. The law provides that employee's expenses qualify for deduction by them only where they are incurred "wholly, exclusively and necessarily" in performing the duties of the employment. **Expenses which are incurred by employees in travelling to and from the place of employment are not allowable for tax purposes and any re-imburement of these expenses must be treated as pay.**

Where an employee's allowable expenses are re-imbursed free of tax by an employer, the question of an income tax claim by the employee for those expenses does not of course arise.

Re-imburement by Flat-Rate mileage allowances

Where employees use their private cars for business purposes, re-imburement in respect of allowable motoring expenses can be effected by way of flat-rate mileage allowances.

Mileage allowances are calculated using a formula which attempts to arrive at likely allowable motoring expenses through a standard costs system. The system applies where the car is owned by the employee and all motoring expenses are met by the employee. If any specific motoring expenses (including finance costs and exceptional expenditures) are re-imbursed by the employer, the tax office should be approached as to the appropriate tax treatment.

There are two types of mileage allowance schemes which are acceptable for tax purposes, if an employee bears all the motoring expenses: -

- The prevailing schedule of Civil Services rates or
- Any other schedule with rates not greater than the Civil Service rates.

Either of those two re-imburement rates may be applied without specific Revenue approval where a satisfactory recording and internal control system is in operation.

Civil Service rates

Following a general review of the Civil Service Motor Mileage Rates, changes to the schedule were announced in June 2000. The changes brought into effect a simplified mileage rate structure involving a reduction in the mileage bands from six to two bands and streamlined the categories of car engine capacities. In addition all Civil Service employees have a mileage year based on the calendar year.

Motor Mileage Rates effective from 1 January 2002 which may be used until further notice.

Official Mileage in a calendar year	Engine Capacity		
	Up to 1,200 cc	1,201 cc to 1,500 cc	1,501 cc and over
Up to 4,000	79.70 cent	93.04 cent	108.23 cent
4,000 and over	40.86 cent	46.75 cent	50.32 cent
Reduced Motor Mileage Rates	Up to 1,200 cc	1,201 cc to 1,500 cc	1,501 cc and over
	29.82 cent	33.46 cent	35.71 cent

Transitional Arrangements

There are transitional arrangements in place for employees affected by the change in the categories of car engine sizes.

Employees whose current cars are between 1,138cc and 1,200cc may avail of the rates applying to the new middle car category (engine capacity of 1,201cc to 1,500cc) on a personal basis from 1 January 1999 to 31 May 2004, provided that they have not changed or do not change to a car which is under 1,138cc during this period. In the event of such a change the appropriate lower rate will apply from the date of change of the car.

Employees whose current cars are between 1,388cc and 1,500cc may avail of the rates applying to the new large car category (engine capacity of 1,501cc and over) on a personal basis from 1 January 1999 to 31 May 2004, provided that they have not changed or do not change to a car which is under 1,388cc during this period. In the event of such a change the appropriate lower rate will apply from the date of change of the car.

Application of Flat-Rate mileage allowances

Flat-rate mileage allowances apply only to allowable motoring expenses. The expenses must be incurred by an employee who is engaged on a business journey. All the costs of motoring must be borne by the employee.

A business journey is one in which the employee travels from one place of work to another place of work in the performance of the duties of the employment.

Journeys between an employee's home and place of work are not business journeys.

Appendix 3

Leaflet IT69 – e-Working and Tax

This leaflet deals with tax implications of eWorking employees.

eWorking is regarded as a method of working using information and communication technologies in which work is carried out independent of location. Ways of eWorking include:

- Working at home on a full time or part time basis.
- Working some of the time at home and the rest of the time in the office.
- Working while on the move, with infrequent or occasional visits to the office.

eWorking involves:

- Working for substantial periods outside the employer's premises.
- Logging onto the employers computer remotely.
- Sending and receiving email, data or files remotely.
- Developing ideas, products and services remotely.

The number of employees eWorking is increasing and this leaflet addresses some of the more important issues that affect them.

Income Tax

Provision of Computer & Ancillary Equipment

An individual's employer may provide computers, ancillary equipment such as printers, scanners, fax machines, etc. and software to enable him or her work at home. Where the provision of such items is primarily for business use, a benefit in kind charge will not be imposed on the employee in respect of incidental private use. The provision of a telephone line for business use will not give rise to a benefit in kind charge.

Provision of Other Equipment

Likewise, the provision of other equipment such as office furniture, etc. by the employer to enable the employee work at home will not attract a benefit in kind charge where the equipment is provided primarily for business use.

Home Expenses

eWorkers will incur certain expenditure in the performance of their duties at home, such as additional heating and electricity costs. Revenue is prepared to allow an employer make payments up to £2.50 (€3.20) per day to employees without deducting PAYE and PRSI.

This does not prevent an employee making a specific expenses claim where the actual expenditure is in excess of this amount.

Other Expenses

The tax treatment of motor expenses and subsistence payments which may be made by an employer without attracting a tax liability is set out in Income Tax leaflets IT51 & IT54. In relation to eWorkers, the determination of the individuals base may cause an element of difficulty. In practice, if the employee works part time in the office and part time at home, the base is the office.

Note: These arrangements only apply to eWorking employees. They do not extend to employees who, in the normal course of employment, bring some work home in the evening, etc.

Capital Gains Tax

Where an eWorking employee uses any part of his or her home for eWork purposes, the capital gains tax exemption for Principal Private Residences will not be restricted.

Issued August 2001

Appendix 4 (i)

Removal and Relocation Expenses

SP - IT/1/91

Statement of Practice

Removal/Relocation Expenses

Introduction

It is an established principle under tax law that, where an employer pays or reimburses the personal expenses for an employee, the amount paid or reimbursed is to be treated as part of the employee's remuneration and taxed accordingly. In strictness this principle applies to payments made towards the costs incurred by an employee in moving house to take up employment at a new location.

However, it has long been accepted by the Revenue Commissioners that the application of the principle to certain removal/relocation expenses should be relaxed in genuine cases of employees having to incur expenses to move to a new employment location and the payment made by the employer towards the expenses results in no net overall benefit to the employee. In general this practice has been applied to date only in cases of relocation within the same general organisation.

Extension of this Practice

Following representations made to them, the Revenue Commissioners accept that the practice may be applied to similar payments made to or on behalf of an employee taking up employment with a new employer. To obtain the benefit of the practice these new employees will have to satisfy the conditions under which the practice has been applied in the past. In general, these are:

- The prior approval of the tax office to the making of the payment by the employer free of tax must be obtained.
- The reimbursement or payment is made by or borne directly by the employer in respect of expenses actually incurred by the employee.
- The expenses are reasonable in amount.
- The payment is properly controlled.

This change will apply to certain removal/relocation expenses reimbursed or borne by employers in the 1991/92 tax year or in earlier years in cases where this issue remains open.

In general, the expenses which can be reimbursed without giving rise to a charge to tax would be those incurred directly as a result of the move and would include:

- Auctioneer's and solicitor's fees and stamp duty arising from moving house.
- Removal of furniture and effects.
- Storage charges.
- Insurance of furniture and effects in transit or in storage.
- Cleaning stored furniture.
- Travelling expenses on removal.
- Temporary subsistence allowance (subject to limits) while looking for accommodation at the new location.

With the exception of any temporary subsistence allowance, all payments must be matched with receipted expenditure. The Inspector of Taxes must be satisfied that moving house is necessary in the circumstances and that the amount reimbursed or borne by the employer does not exceed expenditure actually incurred.

Any reimbursement of the capital cost of acquiring or building a house or any bridging loan interest or loans to finance such expenditure would be subject to tax.

Appendix 4 (ii)

Extract from Tax Briefing – Issue 31

Removal/Relocation Expenses - Change in Procedures

Change in procedure regarding Advance Revenue Clearance

Statement of Practice - SP IT/1/91 set out Revenue's practice in regard to certain removal/relocation expenses which were incurred by employees and reimbursed or borne by their employer. The Statement outlined the expenses which could be reimbursed without giving rise to a charge to tax.

One of the conditions governing the Statement was that prior approval had to be obtained from the tax office before an employer could make qualifying payments free of tax.

With effect from **April 1998**, specific prior 'approval' by Revenue will not now be required in respect of the removal/relocation expenses covered by this Practice.

Removal/Relocation Expenses

Introduction

It is an established principle under tax law that, where an employer pays or reimburses the personal expenses for an employee, the amount paid or reimbursed is to be treated as part of the employee's remuneration and taxed accordingly. In strictness this principle applies to payments made towards the costs incurred by an employee in moving house to take up employment at a new location.

However, it has long been accepted by Revenue that the application of the principle to tax certain removal/relocation expenses should be relaxed in genuine cases of employees having to incur expenses to move to a new employment location and the payment made by the employer towards the expenses results in no net overall benefit to the employee.

Since 1991 Revenue have accepted that the practice may be applied to similar payments made to or on behalf of an employee taking up employment with a new employer.

Conditions which must be satisfied

The conditions which must be satisfied to allow the removal/relocation expenses covered by this Practice to be paid free of tax are as follows:

- (a) The reimbursement to the employee or payment directly by the employer must be in respect of removal/relocation expenses actually incurred
- (b) The expenses must be reasonable in amount
- (c) The payment of the expenses must be properly controlled
- (d) Moving house must be necessary in the circumstances.

Expenses covered by the Practice

In general, the expenses which can be reimbursed without giving rise to a charge to tax would be those incurred directly as a result of the change of residence and would include:

- Auctioneer's and solicitor's fees and stamp duty arising from moving house
- Removal of furniture and effects
- Storage charges
- Insurance of furniture and effects in transit or in storage
- Cleaning stored furniture
- Travelling expenses on removal
- Temporary subsistence allowance while looking for accommodation at the new location (subject to a maximum of 10 nights at the appropriate subsistence rate as per the schedule in **Leaflet IT54** on Employees' Subsistence Expenses). The vouched rent of temporary accommodation for a period not exceeding three months (this may not be paid concurrently with the temporary subsistence referred to above).

With the exception of any temporary subsistence allowance, all payments must be matched with receipted expenditure. The amount reimbursed or borne by the employer may not exceed expenditure actually incurred.

Any reimbursement of the capital cost of acquiring or building a house or any bridging loan interest or loans to finance such expenditure would be subject to tax.

In effect payment free of tax is restricted to the reimbursement of actual outgoings of a revenue nature incurred at the time of the move.

Procedures being put on a self-assessment basis

In line with Revenue's desire to ease the compliance burden on taxpayers, and following similar moves regarding Employees' Subsistence Expenses, the procedures are being put on a self-assessment basis. With effect from April 1998, specific prior 'approval' by Revenue will not now be required in respect of the removal/relocation expenses covered by this Practice. However, please see below regarding the keeping of records and the auditing of these records.

Records to be kept - Audit of Records

All records relating to the removal/relocation expenses covered by these procedures should be retained by the employer and may be examined in the event of an audit. These records must be kept for six years unless a Revenue Officer indicates otherwise.

Appendix 5

Exemption for Monthly/Annual Bus or Train Passes:

“Salary Sacrifice” Arrangements

The Benefit-in-Kind Exemption

Section 118(5A) TCA 1997 exempts employees and directors from benefit-in-kind taxation for 1999/2000 and subsequent tax years where an expense has been incurred by an employer on the provision of a monthly or annual bus or train pass for the employee or director.

The bus or train pass must be issued by either:

- CIE or any of its subsidiaries (e.g. Bus Eireann, Iarnrod Eireann, Bus Atha Cliath); or
- A private bus operator holding a passenger licence under *Section 7 of the Road Transport Act 1932*; or
- A person who provides a passenger transport service under an arrangement entered into by CIE in accordance with *Section 13(1) of the Transport Act 1950*.

Expense of providing Bus/Rail Pass must be incurred by the Employer

For the benefit-in-kind exemption to apply, the employer must incur the expense of the bus/train pass. It will not be sufficient for an employer to purchase a pass and recover the cost from the employee - in such circumstances the expense will have been incurred by the employee. The main purpose of this note is to clarify Revenue's interpretation of the circumstances under which an employer will be considered to have incurred such an expense in relation to an employee in the specific context of so-called “salary sacrifice” arrangements.

Salary Sacrifice Arrangements: General Tax Treatment

The term salary sacrifice is generally understood to mean an arrangement under which an employee agrees with the employer to take a cut in remuneration and in return the employer provides a benefit of a corresponding amount to the employee (in this case a bus/rail pass).

As a general rule (there is an exception to this general rule in the case of Approved Profit Sharing Schemes, provided certain conditions are met), Revenue do not regard salary sacrifice arrangements as reducing the employee's taxable income. If an employee forgoes salary payable under an **existing contract** of employment in exchange for a benefit, the employee remains taxable on the “gross” income payable. The salary sacrificed will be considered to be an application of income earned by the employee, not an expense incurred by the employer. This interpretation is supported by case law (See, for example, *Heaton v Bell* [1969] 46 TC 211 and *Parker v Chapman* 13 TC 677).

This is in contrast to the position where an existing contract of employment is bona fide renegotiated so as to provide a mixture of salary and benefits. In those circumstances the employee will be taxed on what he or she gets, i.e. the cash salary plus the taxable value of the benefit-in-kind, provided the new employment contract involves no right on the employee's part to choose between cash and benefits.

Similarly, where remuneration is entirely discretionary and the employee has no prior entitlement to it (e.g. a bonus), the discretionary payment may be made by way of a benefit, and be treated for tax purposes as a benefit, provided such an arrangement precedes any “entitlement” to the bonus etc. on the part of the employee.

Where a benefit is fully taxable in the hands of the employee it generally makes little difference in terms of income tax whether the charge is on the “gross” remuneration or on a mixture of cash salary and benefits. On the other hand where a benefit is not taxable, as in the case of bus/rail passes coming within *Section 118(5A)*, there is of course a tax saving to the employee if arrangements can be put in place under which the provision of a bus/rail pass by the employer can legitimately be classified as a benefit-in-kind i.e. an “expense incurred” by the employer under *Section 118(5A)*.

Salary Sacrifice in the Specific Context of Bus/Rail Passes

In the specific context of the provision of bus/rail passes Revenue are prepared to regard salary sacrifice arrangements which meet the conditions set out below as being effective for tax purposes.

Where the conditions are met:

- The employee will not be chargeable to tax on the remuneration sacrificed; and
- The corresponding amount paid by the employer to provide a monthly or annual bus/rail pass will be regarded as an “expense incurred” by the employer for purposes of *Section 118(5A) TCA 1997*.

The conditions are as follows:

- There must be a bona fide and enforceable alteration to the terms and conditions of employment (exercising a choice of benefit instead of salary)
- The alteration must not be retrospective and must be evidenced in writing
- There must be no entitlement to exchange the benefit for cash
- The choice exercised (i.e. benefit instead of cash) cannot be made more frequently than once a year and then only with the consent of the employer.

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Revenue

