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Special Assignee Relief Programme – Attracting overseas talent to Ireland

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The Special Assignee Relief Programme (“SARP”) reduces the effective rate of income tax payable by assignees and is targeted at employees who move to Ireland to work with their foreign employer or an associated company of the employer in Ireland.

SARP reduces the amount of employment income that is taxable in Ireland and also provides other incentives that reduce the cost of relocating senior executives or talented employees to Ireland.

Qualifying conditions for SARP

The relief applies to individuals coming to work in Ireland up to the end of 2020 and can be claimed for five consecutive years. In order to claim the relief, the employee must:

- have a basic salary of at least €75,000;
- be a full-time employee of a company that is resident in a country with which Ireland has a Double Taxation Agreement (or information exchange agreement) for six months immediately prior to the individual’s arrival;
- come to Ireland to perform duties of their employment in Ireland for their employer or an associated company of their employer. Please note that this relief does not apply to new employees who are recruited and then immediately sent to work in Ireland ;
- be tax resident in Ireland i.e.
 - spend at least 183 days in Ireland in the year of arrival, or
 - spend at least 280 days over the course of the year of arrival and the prior year with at least 30 days falling in each year, or
 - if a person is not tax resident under either the 183 or 280 day tests, he/she may elect to be treated as resident for a particular year, provided he/she can satisfy the Irish Revenue that he/she is in Ireland with the intention of being, and in such circumstances that he/she will be, tax resident in Ireland for the following tax year,

and

- not have been tax resident in Ireland for the five tax years immediately preceding the year of arrival.

The relief

SARP operates by reducing taxable employment income by a sum equal to 30% of employment income in excess of €75,000. The relief applies to both the basic salary and other elements of the employee’s remuneration package e.g. bonuses, benefits-in-kind, and share-based remuneration.

SARP is available to individuals employed under local Irish employment contracts or individuals remaining on overseas contracts. Relief may be claimed either through payroll deductions or after the end of the year by filing a tax return. The relief may apply to Irish domiciled individuals.

Example

A qualifying individual earns €100,000 base salary and has other employment earnings of €50,000 (e.g., bonus, shares) that are taxable in Ireland. The relief is applied as follows:

1. Calculate the amount to be deducted from the employee's taxable income i.e. the amount in which the employee will not pay income tax. Assuming for illustrative purposes that the employee is in Ireland for a full year in which he claims SARP, the formula is as follows:

$(\text{Qualifying remuneration less } \text{€}75,000) * 30\%$

In this case: $(\text{€}150,000 - \text{€}75,000) * 30\% = \text{€}22,500$.

2. Income tax is payable on €127,500 (€150,000 - €22,500).

As €22,500 will not be subject to income tax, where such income is taxed at 40%, the employee availing of the relief will make a saving of €9,000 (€22,500 * 40%). Please note that deduction of €22,500 is not exempt from USC or PRSI.

These matters and any other matters relating to employee relocation, both to and from Ireland, are complex and it is necessary to seek tax advice in advance of any remuneration or relocation decision. With advanced planning there are many benefits that can be realised.

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