Changes to the rules regarding the operation of Irish payroll taxes for non-resident employees working for short periods of time in Ireland

Automatic release from the obligation to operate Irish payroll taxes

There has been a long-standing arrangement in place whereby Revenue automatically grant a release to employers from the obligation to operate Irish payroll taxes in respect of employees' resident in tax treaty countries who work in Ireland for not more than 60 days in a tax year and who are not on the payroll of an Irish entity.

Historically, there was no requirement to apply to Revenue as the release from the obligation to operate Irish payroll taxes was automatically granted.

Revenue have recently introduced changes to the automatic granting of releases from the obligation to operate Irish payroll taxes and now require employers to write to Revenue once an employee employed by an employer resident in a tax treaty country has from 1 January 2018 spent 60 days in total in Ireland. These changes may have consequences for multi-national employers who send employees to Ireland on a short-term basis and are outlined below.

Employees from Double Tax Agreement ('DTA') countries

For employees' resident in a DTA country who make short term business visits to Ireland, the new rules are as follows:

Where the employee is present in Ireland for 60 days or more over one or more tax years, a written submission to Revenue is required from the employer notifying them of this fact once the 60-day threshold is breached. Whether or not Irish payroll taxes must be deducted must also be addressed.

The counting of days for the purposes of these provisions begins from 1 January 2018.

Example:

John is an employee of USCo (a US resident company) and frequently travels to Ireland on a monthly basis for business trips lasting 2 business days to visit the Irish operations of the group. The Irish company that John is visiting must record John's visits to Ireland and once he reaches the 60 days threshold, it must write to Revenue to request a release from the obligation to deduct Irish payroll taxes. A separate exercise confirming that there is no requirement to deduct payroll taxes should also be undertaken at this time.

Employees from non-tax treaty countries

The obligation to deduct withholding taxes is triggered once a 30-day threshold is exceeded over one or more tax years and once exceeded Irish payroll taxes must be deducted in relation to Irish work days.

Effective date of changes

All of the changes outlined above have effect from 1 January 2018.

These changes place an additional administrative burden on Irish companies so special care should be exercised in respect of mobile workers who work for short periods of time in Ireland. Any employer who has non-resident employees working in Ireland for short periods (frequently or infrequently) should determine whether their Irish payroll obligations are being met and appropriate reporting procedures are in place.

It is important that Irish companies monitor and record the number of days that employees of foreign affiliates spend working in Ireland. Once an individual exceeds the relevant threshold, Revenue must be notified of this fact.

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