

Ireland: Updated PAYE rules for foreign employees with Irish work days

September 21, 2020

In brief

The Irish Revenue has issued an update on the requirements to operate Pay-As-You-Earn tax (PAYE) when foreign employees exercise employment duties in Ireland.

This update, which was promised in the announcement made in December 2019, contains some good news, particularly in relation to short-term business visitors to Ireland.

In detail

The changes, which apply from January 1, 2020, are very welcome and provide employers with significant clarity on the number of workdays a foreign employee can spend in Ireland without triggering a PAYE obligation.

In addition, the alignment of the PAYE obligation with the conditions contained in the employment article of the relevant Double Taxation Agreement (DTA) will help with cash flow, as the exemption from Irish tax available under the relevant DTA will be given in 'real time,' removing the necessity to claim such refunds after the year-end.

While employers will still need to ensure they have processes in place to track business travellers, these changes mean the administration involved is substantially reduced.

Key Changes

Effective from January 1, 2020, the key changes are as follows:

- When counting the number of work days spent in Ireland, each year is considered on a stand-alone basis;
- Exemption from the requirement to operate PAYE is based on meeting the exemption provisions of the employment article in the relevant DTA;
- The actual legal relationship between the employee and the employer will be considered; therefore, the nature of the role and the duties being performed in Ireland do not need to be considered by the employer;

- Simplification of the process to apply for a PAYE dispensation. The application may include multiple employees, but must include confirmation that the exemption provisions contained in the employment article of the relevant DTA are met; and
- For employees who come to Ireland from a non-DTA country, an obligation to operate PAYE will only arise where the employee will spend more than 30 work days in Ireland.

Summary of PAYE rules that apply from January 1, 2020

Number of days spent in Ireland	From DTA Country	From Non-DTA Country
Less than 30 work days in the tax year	No PAYE obligation	No PAYE obligation
Between 30 and 60 work days in the tax year	No PAYE obligation*	PAYE obligation
More than 60 work days but less than 183 days in the relevant period specified in the DTA**	PAYE obligation unless a PAYE dispensation is obtained from Irish Revenue	PAYE obligation
183 days or more presence in the tax year or in the relevant period specified in the DTA**	PAYE obligation	PAYE obligation

* Subject to the conditions of the Employment Article in the relevant DTA being met.

**The relevant period will be specified in the Employment Article of the applicable DTA.

The takeaway

These new changes are welcome, as they provide clarity and may substantially reduce the administration involved for employers in relation to the operation of PAYE for short-term business visitors to Ireland. However, employers must ensure that the appropriate processes are in place in order to accurately track their business travellers, assignees, and cross-border workers.

Let's talk

For a deeper discussion of how this impacts your business, please contact your Global Mobility Services engagement team or one of the following professionals:

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