Special Assignee Relief Programme
Attracting Foreign Employees

Finance Bill 2014

The Finance Bill provides that the Special Assignee Relief Programme (SARP) is to be extended until the end of 2017 and amended as follows:-

- The upper salary threshold is to be removed.
- The residency requirement is to be amended to require Irish residency only.
- The performance of work-related duties outside of Ireland is to be allowed.
- The term of foreign employed by the employer required is to be reduced to 6 months.

Introduction

Globalisation has led to a more mobile work force, and key employees are often moved to other countries to assist in training foreign colleagues or overseeing specialist projects. The Irish Government acknowledges the importance of providing a tax environment that is attractive for foreign employees seconded to Ireland, is to attract foreign investment.

The Special Assignee Relief Programme (SARP) was developed to allow *"multinational and indigenous companies to attract key people to Ireland so as to create more jobs and to facilitate the development and expansion of businesses"* here.

Who qualifies for the relief?

Relief is given to employees assigned to work in Ireland by an employer company. The employer company must be located in a state which has a Double Taxation Agreement (DTA) or Information Exchange Agreement with Ireland (a "relevant employer"). Companies which are "associated companies" of a "relevant employer" also qualify. Two companies are associated if one is controlled by the other, or both are controlled by a common entity.

The relief is given where a relevant employee is tax resident in the State and performs his employment duties in the State (this includes incidental foreign duties).

In order for an employee to qualify for the relief, he must have worked full time for the employer abroad for at least 12 months before being assigned to Ireland. The duties of the employment must be substantially performed in Ireland for 12 consecutive months

He must move to Ireland to take up employment in 2012, 2013, or 2014, and cannot have been tax resident here in any of the previous 5 years. The relief applies for a maximum of 5 years.

The relevant employee must have a minimum base salary ("relevant income") of at least €75,000. Relevant income is employment income exclusive of benefits-in-kind, bonus payments, termination payments, share option gains and any share-based remuneration.

Once the relevant income is greater than €75,000 all income derived from the employment may be relieved (including benefits in kind, share based remuneration and other forms of remuneration), up to the upper threshold of €500,000.

If an employee is employed for part of a tax year the thresholds and cap are reduced proportionately.

Pension contributions that qualify for income tax relief must be excluded (to avoid a double taxation).

Cap on SARP

Relief is given as a deduction from employment earnings. The deduction is equal to 30% of the difference between the employment earnings (less any pension contributions) and €75,000. The employment earnings are subject to an upper threshold of €500,000 so the maximum relief is €127,500 [€ (500,000—75,000) x 30%]. For a top rate taxpayer [41%] the maximum income tax saving is €52,275.

SARP is an income tax relief, so other taxes (USC and PRSI) will not be reduced by SARP relief.

Other Benefits for the SARP Employee

A person who qualifies for SARP can also recover the cost of a return trip for the family back home and school fees of up to €5,000 per child tax free by the employer.

How to Claim SARP Relief

An employee applies to Revenue for the relief on Form SARP 1 which has to be certified by the employer. The relief can be given in two ways:-

- During the relevant tax year, by adjusting the payroll taxes operated by the employer or
- by the employee making a claim to his tax district after the end of the relevant tax year.

Caveat: *These notes are intended as a general guide to Special Assignee Relief Programme. OHT has endeavoured to provide an accurate commentary but the notes cannot cover all circumstances. OHT strongly recommends that formal tax advice be obtained before any steps are taken that may have a tax effect.*

O'Hanlon Tax Limited
6 City Gate, Lower Bridge St., Dublin 8
T: 01 6040280 F: 01 6040281 E: info@ohanlontax.ie W: www.ohanlontax.ie