Taxation of BIK – Revenue Guidelines

Overview

Most benefits you provide to your employees are taxable. This section explains how to apply Pay As You Earn (PAYE) , Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) to benefits. If you are an employee and you have received benefits from an employer, Taxation of employer benefits explains how this affects your taxes.

Estimating the Value of Benefits

You must deduct tax on the value of benefits you provide to employees. Valuation of benefits describes how different types of benefits are valued.

- If you know a benefit's value
- If you know how much a benefit is worth, you must calculate tax on the actual value of the benefit.
- If you do not know a benefit's value
- If you do not know how much a benefit is worth, you must calculate tax on its estimated value. This should be the best estimate, from a common-sense point of view.
  Please refer to Valuation of Benefits for guidelines on how benefits are generally taxed.

You must include a best estimate of the value in the relevant payroll submission to Revenue. When the actual value of the benefit becomes available, you must include any adjustment in the next payroll submission.

Applying Tax to Benefits

For tax purposes, you should treat the value of a benefit as pay. You add this to the employee's pay in the pay period the benefit was given.
Notional pay should be reported either:

- the day the notional payment is made
- the earlier of the next pay day or the 31 December in the year.

Your employee's income tax, Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) is calculated on the combined total of pay and benefit value. These must all be deducted from the employee's pay. Employer's PRSI is also due on the combined total of the pay and the benefit value. You do not need to show the value of a benefit on your employees' payslips. However, you must report the value of a benefit and share based remuneration on your payroll submission to Revenue

Insufficient Wages to Deduct Tax

The tax due on a benefit can be more than your employee's pay. You also might not be able to deduct the full amount of tax in one pay period.
In this case, you must pay the full tax deductible for this period to the Collector-General. This amount will be reflected in your monthly statement.
You should arrange for your employee to repay the difference to you.
Employee does not repay tax

If your employee does not repay the tax to you, you should treat the outstanding amount as a benefit. You must pay income, Pay Related Social Insurance (PRSI)and Universal Social Charge (USC) on this benefit.
You must treat this benefit as if you provided it on 28 February of the following year. It should be taxed at the employee's rate of tax.
If your employee repays you the tax in full before 28 February of the following year, no further payment is required.
If the employee stops working for you by 28 February, you must declare the unpaid balance of tax.

Spreading Tax Over the Year

You must pay Pay As You Earn (PAYE), Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) to the Collector-General on a benefit-in-kind. This tax must be paid for the pay period in which you provided the benefit.
Deducting the tax in one pay period may cause them hardship. If it does, you may spread the tax due on an employee's benefit over several pay periods in the year. You must still pay the full PAYE, PRSI and USC due to the Collector-General in the period the benefit arises.
The annual value of a benefit is spread over the pay periods in which the benefit arises for:

Payment of Employee Tax by the Employer

If you want to pay the tax due on your employee's benefits, you must arrange this with Revenue. We have special arrangements for minor benefits which are paid on an occasional or irregular basis.
Special arrangements do not apply to:

- cash payments of wages, salaries or bonuses
- large benefits (company cars, free accommodation or preferential loans)
- round sum allowances.

Calculating tax (grossing-up)

If you want an employee to receive a benefit without affecting their net pay, you must increase the benefit amount entered in payroll. This increased benefit allows you to deduct the employee's rate of tax, leaving the employee with the original benefit value.

If you pay your employee’s tax on a benefit, this will not count as income. The employee cannot claim credit for tax you have paid. The employee also cannot count the Pay Related Social Insurance (PRSI) which you have paid towards their own records.
The increased benefit is called the grossed-up amount. The following example shows how this is calculated.