Chapter 8 - The provision of security assets or services

Part 05-01-01h

This manual should be read in conjunction with section 118A of the Taxes Consolidated Act 1997

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Revenue
Cáin agus Custaim na hÉireann
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1 Introduction

This manual outlines the tax treatment, as set out in section 118A Taxes Consolidation Act ("TCA") 1997, applicable on the provision of security assets and services by an employer to an employee.

Subject to certain conditions being met, no benefit-in-kind ("BIK") charge will arise where an employer incurs an expense in providing a security asset or service for use by an employee.

Where the relevant conditions are not met and the tax treatment outlined in this manual does not apply, the provisions of section 118 TCA 1997 will apply. The employee will be chargeable under the PAYE system to Income Tax, PRSI, and USC on the taxable benefit. See Tax and Duty Manual (TDM) Part 05-01-01a for information on how to value a BIK in such cases. See TDM Part 42-04-35A for further information on payroll submissions.

2 Security Assets and Services

Security assets and services include the provision of equipment or a structure, such as alarms, security cameras and security gates.

Security assets and services do not however include the provision of:

- any mode of transport (such as cars, vans, crew cabs etc.),
- a dwelling (such as living accommodation), or
- grounds appurtenant to a dwelling (such as land).

3 Qualifying Conditions

In order to qualify for this exemption, there must be a credible and serious threat to the personal physical safety of the employee that arises wholly or mainly from his or her employment.

The conditions for this exemption are tightly drawn and it is intended that the exemption only applies to those people whose work exposes them to a very real

threat to their physical safety from terrorists, criminals or others who may resort to violence, and the provision of the security asset or service is for the sole purpose of meeting that threat to their physical safety.

It follows that the exemption cannot be granted in respect of:

- security measures against the kind of general criminal threat which all citizens face to a greater or lesser degree,
- expenditure incurred to protect against a general threat, unrelated to the person's work, to their property (for example burglary or larceny), or
- security measures taken against threats not connected with a person's work.

Incidental use of an asset for purposes other than security will not impact on the exemption. However, where the asset provided is intended to be used for both personal security purposes and other purposes, then the exemption will only apply to the portion of the expense relating to the security function.

In the case of the provision of a security service, the exemption will only apply where the benefit resulting to the employee consists wholly or mainly of an improvement in the employee's personal physical security.

Any incidental benefit derived by a member of the employee's family or household from the provision of a security asset or service will not give rise to a charge to BIK.

Example 1 — Qualifying Security Asset (Incidental Private Use Disregarded)
An employer funds the installation of an alarm and security gates at an employee's home. The employer's reason is a credible and serious threat arising wholly or mainly from the employee's role. The employer's sole object is to address that threat. The gates and alarm become fixtures on the property. Incidental private use of the gates occurs.
The expense qualifies for exemption under section 118A. The employer's sole object is to meet the qualifying threat. Incidental use of the asset is disregarded. The fact that the assets are fixed to the dwelling does not prevent relief. No BIK arises in respect of the qualifying expense.

Example 2 — Non-Qualifying Threat (General Criminality / Burglary)
An employer pays for security cameras for an employee. The sole reason is a recent spate of burglaries in the area. There is no threat arising from the employee's office or employment.
The exemption does not apply to measures taken against general criminal threats or burglary unrelated to the employment. A BIK arises under the general rules in the usual way.

Example 3 — Threat Ceases but Provision Continues
An employer provided a qualifying security asset under section 118A. The threat subsequently ceases. The employer continues to bear costs (for example, maintenance costs).
From the point the qualifying conditions are no longer met, the exemption is not available. The general BIK charging provisions apply from that point.

Example 4 — Reimbursed Expense
The employee purchases qualifying security equipment to meet a credible and serious threat arising from the employment. The employer reimburses the employee. The employer's sole object is to meet the qualifying threat.
Section 118A can apply to expenses incurred by the employee and reimbursed by the employer. If the statutory conditions are met, no tax arises on the reimbursed amount.

4 Record Keeping

All employers should maintain accurate records to demonstrate that the required conditions for the exemption have been met.

Recommended practices include retaining:

- Documentation establishing the qualifying security purpose of the expenditure, for example, a garda threat assessment or an independent security consultant's report.
- Periodic review documentation where the existence or nature of the threat has been reassessed over time.
- An internal authorisation record connecting the specific expenditure to the need to address a qualifying threat.
- Receipts and invoices etc.

By keeping comprehensive records, employers can clearly evidence the basis on which the security measures were implemented and the expenses incurred. Guidance on record keeping is available in TDM Part 38-03-17.