

Revenue Guidelines – Settlement arrangement arising from Revenue v Karshan (Midlands) Ltd. trading as Domino's Pizza.

This document should be read in conjunction with Revenue Guidelines for Determining Employment Status for Taxation Purposes Part 05-01-30 and the Code of Practice for Revenue Compliance Interventions.

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1 Introduction

On 21 May 2024, Revenue published guidance outlining the tax implications of the Supreme Court judgment in ‘The Revenue Commissioners v Karshan (Midlands) Ltd. t/a Domino’s Pizza’ on determining employment status for tax purposes.

The Tax and Duty Manual, Revenue Guidelines for Determining Employment Status for Taxation Purposes, explains the five-step decision-making framework that businesses are required to use to determine whether a worker is an employee or self-employed for taxation purposes. The manual also includes a number of practical examples which will assist businesses in determining what the Supreme Court decision means for the taxation of workers they engage.

Revenue previously encouraged all businesses that were engaging contractors, sub-contractors or other workers on a self-employment basis to familiarise themselves with the details of the judgment and review their workforce model in light of same. Revenue also reminds businesses that they are responsible for ensuring that the correct taxes are deducted from their employees’ pay and reported through the PAYE system.

With effect from the date of the Supreme Court judgment on 20 October 2023, employers have further clarity regarding the correct approach to employment classification.

While it is clear that employers are obliged to operate Income Tax, USC and PRSI and all employers must ensure that they are properly deducting and remitting all relevant payroll taxes, consideration must be given to Justice Murray’s comments. In para 284 of the judgement, Justice Murray stated “In the course of the judgement I make some comments about the potential injustice of Karshan being disproportionately penalised by one arm of the State for conducting its business in accordance with the law as it was found by another department of government.”

2 Obligation to operate Income Tax, USC and PRSI with effect from date of Supreme Court judgment

The range of caselaw and guidance available prior to the Karshan judgment may have resulted in some employers, acting in good faith, misclassifying employees as persons engaged in contracts for services. In many cases, such persons will have been paid on a gross basis and advised to address their own tax affairs and many have done so in the belief that they were bona fide contractors. However, as the Supreme Court judgement, in late 2023, sets out the appropriate tests in relation to classification there should be no reason for employers to have ongoing classification issues for 2024 or any subsequent year.

Notwithstanding the above, Revenue recognises that employers may have faced difficulties in making the necessary adjustments to their payroll systems following the Supreme Court judgement. Revenue is now providing employers with an opportunity to correct any payroll tax issues in respect of 2024 and where relevant, 2025, arising from bona-fide classification errors without penalty or interest. Where liabilities are settled by way of a Phased Payment Arrangement (PPA), interest is applied over the repayment period.

To the extent that payroll arrangements were not in place for 2024 or 2025, this Tax and Duty Manual sets out the settlement terms which apply for those years.

These settlement terms explicitly do not apply to any intervention which was open prior to 20 October 2023. Furthermore, they do not apply to any individual who, under the Code of Practice on Determining Employment Status in effect prior to October 2023, should have been classified as an employee. Likewise, they do not apply to any individual who should have been classified as an employee based on any published decision or determination of the Department of Social Protection, the Workplace Relations Commission, the Tax Appeals Commission or a court. As such, where Revenue is of the opinion that the misclassification has arisen from either careless or deliberate behaviour, the full liability to Income Tax, USC and PRSI and interest and penalties will be pursued as provided for under the terms of all relevant legislation.

2.1 Opportunity to make a disclosure for 2024 and 2025

Revenue's Compliance Intervention Framework (CIF) and the Code of Practice for Revenue Compliance Interventions provide for a consistent graduated response to

taxpayer behaviour. Revenue aims to minimise the burden of tax compliance, and we provide extensive opportunities to enable taxpayers to make good any liabilities with minimum consequences.

Revenue invites employers impacted by the Supreme Court ruling to make a disclosure in respect of 2024 and 2025. Revenue will treat any adjustment of liability in respect of both years as a “technical adjustment” as provided for in the Code of Practice for Revenue Compliance Interventions. This means that Revenue will not consider liabilities to have arisen from either deliberate or careless behaviour and a tax-gearred penalty shall not apply to any liabilities to Income Tax, USC and PRSI in respect of these years. In addition, fixed penalties will not apply.

To avail of the settlement terms outlined in this Tax and Duty Manual, all disclosures should be submitted to Revenue no later than the 30 January 2026.

Employers must either pay the liability to Income Tax, USC and PRSI (Employee and Employer) in full via [REVPAY](#) or request, at the time they submit the disclosure (i.e. by 30 January 2026), to enter a Phased Payment Arrangement for the liability.

Employers availing of this settlement opportunity should advise employees not to declare income which is included in this disclosure when filing their income tax returns for 2024 and 2025. Class S PRSI should also not be paid in respect of this income. This is to avoid a situation where the income is taxed twice. The relevant employees should however continue to declare income and gains arising from any other sources in either of these years, in the usual manner.

2.1.1 Settlement terms

Employees who are included in this settlement arrangement have been paid “gross” in 2024 and 2025 without deduction of payroll withholding taxes. To avail of the terms of this programme, settlement is required by 30 January 2026.

Notwithstanding 2.1 above, where an individual has already filed a return for 2024, there will be “credit” available for tax paid through self-assessment by those employees. If there are cases where the employee filed their 2024 return and paid Income Tax in respect of the income subject to the disclosure, Revenue will deal with such instances on a case-by-case basis.

Settlement for 2025 is required before the self-assessment deadline for that year. This means that there may be no “credit” for tax paid through the self-assessment

system by employees, available to employers who are availing of these settlement terms.

Credit will also be available for any relevant payments of preliminary income tax.

Income tax and USC should be calculated as set out at 2.1.2 below. The full liability to PRSI (Employee and Employer) for both years will be collected and PRSI records must be created for each employee.

2.1.2 Calculation of settlement

Employers will need to calculate liabilities separately for 2024 and 2025. Revenue will accept liabilities calculated as follows:

- Income Tax calculated at the rate of 20% on the gross¹ amount paid to the employee during the relevant year.
- USC calculated based on a blended rate of 3.5% of the gross amount paid during the relevant year.
- PRSI (Employee and Employer contribution) must be calculated on an actual basis and records updated as set out in 2.1.5.

2.1.3 Provision of disclosure to Revenue

A taxpayer may submit a disclosure to Revenue through the following channels:

ROS users may submit a disclosure to Revenue via My Enquiries in ROS by selecting:

- My Enquiry Relates to
 - **Audit/Compliance**
- More specifically
 - **Unprompted Disclosure**

My Account users may submit a disclosure via My Enquiries in MyAccount. It is not necessary to select from a dropdown menu. The taxpayer should clearly state Misclassification disclosure within the text.

Disclosures may also be submitted through the Revenue File Transfer System (RFTS) where appropriate.

Employers will need to provide Revenue with the basis for their view that the employees are within the scope of this settlement arrangement (see 2 above). As

¹ Under the terms of the settlement, it is not necessary to apply the “gross up” provisions under section 986A TCA 1997.

such, it must be clearly shown that the misclassification has arisen from behaviour which is neither careless nor deliberate. In such cases, Revenue will consider the employer to have self-assessed their position and disclosures will be accepted on this basis.

Employers will need to provide Revenue with the following in respect of each relevant employee:

- Employee's first name,
- Employee's surname,
- Employee's PPSN,
- Date of commencement (i.e., 1 Jan 2024 or later where applicable),
- Date of cessation (if any),
- Amounts paid to each individual in 2024 and 2025.
- Calculation of Income Tax based on blended methodology.
- Calculation of USC based on blended methodology.
- Calculation of PRSI (Employee and Employer on an actual basis).

2.1.4 Bringing the liability to Income Tax, USC and PRSI to account

Once Revenue has agreed the liability disclosed for all employees (under the terms of this settlement arrangement), the liability to Income Tax, USC and PRSI for 2024 will be brought to account by way of a PAYE assessment made for the month of November 2024. Similarly, the liability to Income Tax, USC and PRSI for 2025 will be brought to account by way of a PAYE assessment made for the month of November 2025.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

2.1.5 Creation of a PRSI record for each employee

As outlined in 2.1.1, it will be necessary for employers to manually create a PRSI record for each employee for 2024 and for 2025. This is necessary to protect the social welfare entitlements of the employees concerned.

Once the disclosure has been accepted by Revenue, and amounts brought to account as set out in 2.1.4 above, the PRSI records can be created. The following sets out a step-by-step guide for creating the records for 2024 however the process must be followed for 2025 also.

PRSI records can be created by way of a single payroll entry for each employee. For example, employers will need to file a **new** payroll submission using the manual input facility on ROS with a 2024 pay date. It is recommended that Employers select a pay date in October 2024.

The only information which will be required for each employee will be their PPSN and the number of insurable weeks in 2024. Employers will need to ensure that the number of insurable weeks correctly reflect the periods worked as the insurable week may not align to the working week in all cases. In 2024, each PRSI contribution week ran from Monday to Sunday. The number of contribution weeks may affect the social insurance cover of part-time workers and employers should ensure their calculations are correct. PRSI must be calculated and recorded based on the correct PRSI class applicable to each individual.

Employers must use the same process for 2025 i.e., file a new payroll submission using the manual input facility in ROS with a pay date in October 2025.

Employers may contact Revenue for assistance in creating these records.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

2.1.5.1 Practical example of how liabilities will be paid and brought to account where misclassification of employees arises under the terms of this Tax and Duty Manual.

All figures are for illustrative purposes only.

Employer XYZ Ltd contacts Revenue and advises that it wishes to make a disclosure in respect of three individuals - Peter, Paul and Mary.

For 2024, the details are as follows:

Data	Mary	Paul	Peter	Total liability
ER reg no.	1111111X	1111111X	1111111X	
PPSN of EE	9998887B	7654321A	1234567B	
EE Name	Mary Murphy	Paul Doyle	Peter Dunne	
Gross Pay	€20,000	€26,000	€30,000	
Pay for tax	€20,000	€26,000	€30,000	
Pay for USC	€20,000	€26,000	€30,000	
Pay for ER PRSI	€20,000	€26,000	€30,000	
Pay for EE PRSI	€20,000	€26,000	€30,000	

Tax payable	€4,000	€5,200	€6,000	€15,200
USC payable	€700	€910	€1,050	€2,660
EE PRSI payable	€463	€1,047	€1,208	€2,718
ER PRSI payable	€1,765	€2,880	€3,323	€7,968
Insurable weeks	52	52	52	
Tax year	2024	2024	2024	
				€28,546

Revenue will make a PAYE assessment for the month of November 2024 as follows:

Tax payable	€4,000	€5,200	€6,000	
USC payable	€700	€910	€1,050	
EE PRSI payable	€463	€1,047	€1,208	
ER PRSI payable	€1,765	€2,880	€3,323	
Total €				€28,546

Guidelines are available in the TDM [Guidelines on PAYE Assessments Part 42-04-72](#).

The employer will pay the liability of €28,546 to Revenue via REVPAY.

Revenue will automatically pay the PRSI components to DEASP (€2,718 plus €7,968 in the example).

Peter, Paul and Mary will not be required to file Form 11s for 2024 to declare the income which has been included in the disclosure.

Insurable weeks

Finally, it is necessary to ensure the correct insurable weeks on the DEASP record and this is done by the employer in the following manner.

The employer files one NEW line item in ROS for Peter, Paul and Mary and these line items will be as follows.

Data	Mary	Paul	Peter
Employer reg number	1111111X	1111111X	1111111X
PPSN of individual	9998887B	7654321A	1234567B
Employee Name	Mary Murphy	Paul Doyle	Peter Dunne
Gross Pay	€0.01	€0.01	€0.01
Pay for tax	Zero	Zero	Zero
Pay for USC	Zero	Zero	Zero
Pay for ER PRSI	Zero	Zero	Zero
Pay for EE PRSI	Zero	Zero	Zero
Tax payable	Zero	Zero	Zero
USC payable	Zero	Zero	Zero
EE PRSI payable	Zero	Zero	Zero

ER PRSI payable	Zero	Zero	Zero
Insurable weeks	52	52	52
PAY DATE	1.10.2024	1.10.2024	1.10.2024

For 2025, the details are as follows:

Data	Mary	Paul	Peter	Total liability
ER reg no.	1111111X	1111111X	1111111X	
PPSN of EE	9998887B	7654321A	1234567B	
EE Name	Mary Murphy	Paul Doyle	Peter Dunne	
Gross Pay	€20,000	€26,000	€30,000	
Pay for tax	€20,000	€26,000	€30,000	
Pay for USC	€20,000	€26,000	€30,000	
Pay for ER PRSI	€20,000	€26,000	€30,000	
Pay for EE PRSI	€20,000	€26,000	€30,000	
Tax payable	€4,000	€5,200	€6,000	€15,200
USC payable	€700	€910	€1,050	€2,660
EE PRSI payable	€484	€1,073	€1,238	€2,795
ER PRSI payable	€1,785	€2,906	€3,353	€8,044
Insurable weeks	52	52	52	
Tax year	2025	2025	2025	
				€28,699

Revenue will make a PAYE assessment for the month of November 2025 as follows:

Tax payable	€4,000	€5,200	€6,000	
USC payable	€700	€910	€1,050	
EE PRSI payable	€484	€1,073	€1,238	
ER PRSI payable	€1,785	€2,906	€3,353	
Total €				€28,699

Guidelines are available in the TDM [Guidelines on PAYE Assessments Part 42-04-72](#).

The employer will pay the liability of €28,699 to Revenue via REVPAV.

Revenue will automatically pay the PRSI components to DEASP (€2,795 plus €8,044 in the example).

Peter, Paul and Mary will not be required to file Form 11s for 2025 to declare the income which has been included in the disclosure.

Insurable weeks

Finally, it is necessary to ensure the correct insurable weeks on the DEASP record and this is done by the employer in the following manner.

The employer files one NEW line item in ROS for Peter, Paul and Mary and these line items will be as follows.

Data	Mary	Paul	Peter
Employer reg number	1111111X	1111111X	1111111X
PPSN of individual	9998887B	7654321A	1234567B
Employee Name	Mary Murphy	Paul Doyle	Peter Dunne
Gross Pay	€0.01	€0.01	€0.01
Pay for tax	Zero	Zero	Zero
Pay for USC	Zero	Zero	Zero
Pay for ER PRSI	Zero	Zero	Zero
Pay for EE PRSI	Zero	Zero	Zero
Tax payable	Zero	Zero	Zero
USC payable	Zero	Zero	Zero
EE PRSI payable	Zero	Zero	Zero
ER PRSI payable	Zero	Zero	Zero
Insurable weeks	52	52	52
PAY DATE	1.10.2025	1.10.2025	1.10.2025

[Further guidance is available here.](#)

2.1.6 Finalisation of case

Revenue will notify the taxpayer in writing once the payments have been allocated, PRSI records have been updated and the case can be closed.

2.1.7 Failure to disclose liabilities under the terms of this settlement arrangement

Where an employer fails to take this opportunity to disclose liabilities before 30 January 2026, and the liabilities subsequently come to light Revenue will form the view that the default has arisen from a complete failure to operate fiduciary taxes and will apply the relevant legislation in relation to the failure to operate PAYE, PRSI and USC. Interest and penalties shall apply.