Taxation of Couriers

Part 04-01-07

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Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Table of Contents

1. Introduction

The purpose of this manual is to outline the tax treatment of couriers.

2. Employed or Self-Employed?

The facts of each case will determine whether an individual is either an employee or self-employed. A worker's employment status is not a matter of choice. It depends on the terms and conditions of the job. A contract of service applies to an employee/employer relationship while a contract for service applies in the case of an independent or self-employed contractor.

To determine employment status for taxation purposes, the five-step framework as set out in the Supreme Court judgement in the Karshan (Midlands) Ltd t/a Domino's Pizza case [2023] IESC 24 should be used. Tax and Duty Manual 05-01-30 'Revenue Guidelines for Determining Employment Status for Taxation Purposes' sets out the process and steps to be followed during the determination and includes examples to assist businesses. Example 9 in the manual considers the status of a courier by reference to a particular set of circumstances and in applying the five-step framework, the courier is considered an employee.

3. Taxation of Income

3.1 Employed

If, following the application of the framework by the business engaging a courier, it is determined that he or she is, in relation to that engagement, an employee for tax purposes, then his or her remuneration from that engagement is subject to deductions at source under the Pay As You Earn (PAYE) system and as such, Income Tax, Universal Social Charge (USC) and Pay Related Social Insurance (PRSI) deductions are returned by their employer to Revenue.

3.2 Self-employed

Where, having applied the five-step framework, a courier is considered to be engaged under a contract for service, i.e., a self-employed individual for taxation purposes, he or she is required to fulfil their self-assessment obligations and is obliged to file a tax return and account for all their income in their tax return. Self-employed individuals may make a claim for the Earned Income Credit.

Certain businesses are required to file a Form 46G return to Revenue containing details of payments made by them to third parties for services provided. This return must be filed with the annual Tax Return. Further information on Form 46G is available on Revenue's website.

4. Expenses

Employee expenses are governed by the terms of section 114 of the Taxes Consolidation Act 1997 which, broadly applied, provides that a deduction may be claimed where expenses are "wholly, exclusively, and necessarily" incurred by a courier in the performance of the duties of his or her employment. See Tax and Duty Manual Part 05-02-20 for further information.

All self-employed couriers may make a claim for any expenditure incurred wholly and exclusively for the purpose of their courier business. See Claiming a deduction for expenses on the Revenue website for further information.

5. 'Voluntary' PAYE

A small number of courier firms continue to implement a 'voluntary' PAYE system of tax deduction to help couriers engaged on a self-employed basis to comply with their tax obligations, and Revenue is prepared to agree that this arrangement may continue for the present. Tax/USC/PRSI should be applied on the gross income with no flat-rate expense deduction.