

Taxation of Couriers

Part 04-01-07

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1. Introduction

The purpose of this manual is to clarify the tax treatment of motorcycle and bicycle couriers. The previous practice set out in Appendix 1, in relation to a flat-rate expense allowance regime, no longer applies with effect from 1 January 2019.

2. Employed or Self-Employed?

In order to determine the employment status of a courier (whether he or she is employed or self-employed) it is necessary to examine each case by reference to case law¹ and the [Code of Practice for Determining Employment or Self-Employment Status of individuals](#).

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 services applies to an employee/employer relationship while a contract for service applies in the case of an independent or self-employed contractor.

3. Return of Income

All motorcycle and bike couriers engaged under a contract for service i.e. self-employed individuals, are required to fulfil their self-assessment obligations and are 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

All self-employed couriers may make a claim for any expenditure incurred wholly and exclusively for the purpose of their courier business.

¹ Ready Mixed Concrete (SE) Ltd v Minister of Pensions and National Insurance [1968] 2 QB 497
Karshan (Midlands) Ltd. t/a Domino's Pizza v Revenue Commissioners (2019) IEHC 894

5. 'Voluntary' PAYE

A small number of courier firms continue to implement a 'voluntary' PAYE system of tax deduction to help self-employed couriers 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.

6. Van Owner-Driver Couriers

In order to determine the status of van owner-driver couriers, it is necessary to examine each case by reference to case law and the [Code of Practice for Determining Employment or Self-Employment Status of individuals](#).

Whilst the facts of each case will determine whether an individual is either an employee or self-employed, Revenue is of the view that, in general, van owner-driver couriers are engaged under a contract for service i.e. they are self-employed individuals.

Self-employed individuals pay their income tax directly to the Collector General through the self-assessment system, whereas, employees have their earnings taxed by their employer through the PAYE system.

Appendix 1

Position up to 31 December 2018

Question

How are couriers treated for tax purposes?

Answer

Couriers are regarded as self-employed for PRSI purposes as a result of a Social Welfare Appeals Officer's decision. In the interest of uniformity Revenue decided, without prejudice, to treat them as self-employed for tax purposes.

Many courier firms have opted to implement a voluntary PAYE system of tax deduction in respect of couriers engaged by them. The employee tax credit is given to the couriers who are subject to this voluntary PAYE deduction system.

A special flat-rate expense allowance regime has been agreed for couriers on voluntary PAYE (see Appendix below for details). In the interest of reducing the administrative overhead, this involves treating expenses as a percentage of income. The PAYE principle of disregarding the allowable expenses for tax purposes before operating PAYE was applied.

Any courier wishing to join the voluntary PAYE scheme should contact his/her local Revenue office.

Appendix 1A

Motorcycle Couriers

Position up to 31 December 2018

Motorcycle couriers' expense allowance figure, to exclude wear and tear on the motorcycle, is agreed at 40% of a courier's gross earnings.

Wear and tear on the motorcycle will be regarded as additional to the 40% expenses deduction. To avoid couriers, courier firms and Revenue having to compute wear and tear on an ongoing basis, particularly each time a motorcycle is changed, 5% of the courier's gross earnings is allowed as an additional expense to cover wear and tear on the motorcycle. This gives a total expense allowance of 45% of gross earnings for motorcycle couriers.

Cycle Couriers

Position up to 31 December 2018

While cycle couriers would not have a similar level of expenditure to motorcycle couriers, a composite flat-rate expenses figure of 20% is allowed to cover wear and tear, replacement of the bicycle and spare parts and the purchase, replacement and cleaning of specialist gear, etc.

Van Owner-Driver Couriers

Due to the limited numbers and the particular circumstances of van owner-driver couriers, there is no flat-rate expense for this category. They may claim expenses incurred "wholly and exclusively" for the purpose of the trade in the normal way.