

Chapter 10 - The provision of staff awards

Part 05-01-01j

This manual should be read in conjunction with section 112 of the Taxes Consolidation Act 1997

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1 Introduction

This manual sets out the tax treatment applicable where an employer makes certain awards to his or her employees.

Generally, where an employer gives an award to an employee it is chargeable to PAYE, PRSI and USC. In determining the amount that is chargeable it is necessary to consider the cost incurred by the employer in providing the award and the market value of the award. See [Tax and Duty Manual Part 05-01-01a](#) for further guidance on how to value such awards.

There are however some specific circumstances in which an award may be given to an employee without giving rise to a charge to tax.

In addition, where an award or incentive meets the criteria set out in section 112B of the Taxes Consolidation Act 1997 (TCA 1997) it may qualify for the small benefit exemption and may therefore be given without a charge to tax arising. See [Tax and Duty Manual Part 05-01-01e](#) for further details on the small benefit exemption.

2 Taxable Awards

2.1 Staff Suggestion Scheme Awards

Awards made to an employee under staff suggestion schemes are generally taxable and an employer must operate PAYE, PRSI and USC on the value of the award. The value of the award must be calculated in line with the rules set out in [Tax and Duty Manual Part 05-01-01a](#).

Where the award meets the criteria for the small benefit exemption it will not give rise to a tax charge - see [Tax and Duty Manual Part 05-01-01e](#) for further details on the small benefit exemption.

2.2 Exceptional Performance Awards

If an employer has a scheme in place to reward exceptional performance, any awards received under such schemes are generally taxable and an employer must operate PAYE, PRSI and USC on the value of the award. The value of the award must be calculated in line with the rules set out in [Tax and Duty Manual Part 05-01-01a](#).

Again, where the award meets the criteria for the small benefit exemption it will not give rise to a taxable benefit.

2.3 Examination Awards

A cash award made to an employee in recognition of passing an examination or acquiring a qualification is a taxable payment.

However, where the award is a reimbursement of certain of the employee's expenses incurred in studying for and sitting an examination, it may be made without the charge to tax where certain conditions are satisfied -see [paragraph 4](#).

2.4 Special increments

Special increments of salary awarded on passing an examination are chargeable to tax, as part of the employee's remuneration in the ordinary way.

2.5 Long Service Awards

Where awards are made to employees, as testimonials to mark long service, such awards are normally taxable unless the criteria for the small benefit exemption, as set out in [Tax and Duty Manual Part 05-01-01e](#) are met.

However, where an award takes the form of tangible articles of reasonable cost, a charge to tax may not arise provided that certain conditions are satisfied - [see paragraph 5](#).

3 Course and Examination fees

Reimbursement by an employer of course or examination fees paid by an employee, or direct payment of course or examination fees by an employer on behalf of an employee, are not regarded as a taxable benefit if the course undertaken is relevant to the business of the employer.

A course is regarded as relevant to the business of an employer where it leads to the acquisition of knowledge or skills which are:

- necessary for the duties of the employment, or
- directly related to increasing the effectiveness of the performance of the present or prospective duties of the office or employment.

4 Other Examination Expenses

A cash award made to an employee in recognition of passing an examination or acquiring a qualification is a taxable payment.

A payment made to an employee to reimburse him or her for the purchase of laptops or similar technological aids, is regarded as a taxable benefit/perquisite and PAYE, PRSI and USC must be operated on the value of the benefit. The value of the benefit must be calculated in line with the rules set out in [Tax and Duty Manual Part 05-01-01a](#).

A payment in regard to certain expenses incurred in studying for and sitting an examination, may be made without the charge to tax where all of the following conditions are satisfied:

- the course/qualification must bear some relationship to the employees duties;
- the amount paid is only a reimbursement of the expenses necessarily incurred;
- the payments can be vouched to receipts; and
- appropriate governance and control mechanisms are in operation together with supporting documentation.

Allowable expenses include the cost of course materials other than those provided as part of the course fees and certain travel expenses.

4.1 Travel Expenses

Where the employee, begins a journey to the course or exam centre directly from home or returns directly to home, then the expenses of travel that may be reimbursed without deduction of tax are the lesser of those incurred on the journey between –

- a) home and the course /exam centre; or
- b) the normal place of work and the course /exam centre.

The normal place of work is the place where the employee normally performs the duties of her or his employment. Determining an employee's normal place of work is a question of fact that can only be considered based on the specific circumstances of each case.

Example 1

Mary is an employee of T/Accounts Ltd and has completed and passed her final year accountancy examination. Her employer has awarded her a cash sum of €5,000 in recognition of her success. This sum is taxable as it is a cash award and not a reimbursement expenses incurred in studying for and sitting the examination.

Example 2

Jack is employed by a tax consulting firm, based in Dublin. Jack has completed the final Chartered Tax Advisor examination. He works remotely 4 days each week from his home in Waterford. He made 6 trips to Dublin to attend his course and sit his examination. His employer awarded him €5,000 when he received his qualification.

Jack incurred the following costs in regard to his qualification:

Course/Exam fees	€2,200
Travel costs	€700
Purchase of a laptop	€1,500

The cash award is a taxable payment. However, the employer can reduce the taxable amount to allow for certain expenses.

The expenses allowed include;

Course/exam fees	€2,200
Travel expenses (based on the Civil Service rules)	€230

Jack travelled directly to the course/exam from his home, however, the expenses of travel that may be reimbursed without deduction of tax are the lesser of those incurred on the journey between –

- a) home (Waterford) and the course/exam centre (Dublin); or
- b) the normal place of work (Dublin) and the course/exam centre (Dublin).

Therefore, the amount allowed is based on Jack's mileage to and from his Dublin office to the course/exam centre in Dublin, which applying the Civil Service rates, amounted to €230.

The cost Jack incurred in purchasing the laptop cannot be regarded as a tax-free reimbursement of expenses.

The employer must apply PAYE, PRSI and USC on €2,570 (€5,000 less €2,430).

4.2 Records to be kept

The guidelines covering any tax-free payment, including the maintenance of records and a proper control system are set out in [Tax and Duty Manual Part 05-01-06](#) paragraph 1.3 Records to be kept.

These records can be subject to compliance intervention, in accordance with the [Compliance Intervention Framework](#).

5 Long Service Awards

Where awards are made to employees, as testimonials to mark long service, such awards are normally taxable unless the criteria for the small benefit exemption, as set out in [Tax and Duty Manual Part 05-01-01e](#) are met.

Where, however, an award takes the form of tangible articles of reasonable cost (e.g., a clock), a charge to tax will not arise provided that:

- the cost to the employer does not exceed a maximum of €50 for each year of service,
- the award is made in respect of a period of service of not less than 20 years, and
- no similar award has been made to the recipient within the previous 5 years.

It should be noted that this concession:

- applies to directors as well as other employees, and
- does not apply to awards made in cash or vouchers (i.e., it applies to tangible items only).

Where any of the qualifying conditions are not met, PAYE, PRSI and USC must be applied on the full amount of the award.

Example 3

Charlie has 30 years' service with his employer. His employer wishes to acknowledge this service and presents him with a watch valued at €1,200.

Charlie can receive a tangible benefit with a maximum value of €1,500 due to the number of years' service with this employer (€50 x 30 years of service). As the value of the watch does not exceed €1,500, Charlie's employer does not need to apply PAYE, PRSI and USC on the value of the award.

Example 4

Regina has 21 years' service with her employer. Her employer wishes to acknowledge this service and considers presenting her with artwork valued at €2,500.

Regina can receive a tangible benefit with a maximum value of €1,050 due to the number of years' service with this employer ($€50 \times 21$ years of service). As the value of the artwork exceeds €1,050, her employer must apply PAYE, PRSI and USC on the full value of the artwork if awarded.

Example 5

Thomas has 30 years' service with his employer. His employer wishes to acknowledge this service and considers presenting him with a holiday voucher valued at €750.

Thomas can receive a tangible benefit with a maximum value of €1,500 due to the number of years' service with this employer ($€50 \times 30$ years of service). However even though the value of the benefit does not exceed €1,500 Thomas' employer must apply PAYE, PRSI and USC on the full value of the voucher, if awarded, as the award is not a tangible article.

5.1 Multiple Awards Over Career

An employer may decide to award an employee more than one award over the course of a career – for example, after 25 and 40 years. Such awards should be examined separately for the purpose of:

- determining if the exemption applies, and
- calculating the concessional reasonable cost figure.

Long service awards cannot be made within five years of each other. Any obvious abuse of the concession, such as an unusual frequency of awards to an individual, will lead to withdrawal of the concessional treatment and tax being applied in full to the awards made.

Example 6

Peter has 21 years' service with his employer. His employer wishes to acknowledge this service and presents him with a clock valued at €1,000.

Peter can receive a tangible benefit with a maximum value of €1,050 due to the number of years' service with this employer ($€50 \times 21$ years of service). As the value of the clock does not exceed €1,050, his employer is not required to apply PAYE, PRSI and USC on the value of the award.

Peter gets a further award of crystal after forty years' service valued at €1,750. After 40 years' service, Peter can receive a tangible benefit with a maximum value of €2,000 ($€50 \times 40$ years of service).

As the second award was given more than five years after the first award, and the value of the second award does not exceed €2,000, his employer is not required to apply PAYE, PRSI and USC on the value of this award either.

6 Summary Table of Taxable and Non-Taxable Awards

Award Type	Taxable	Non-Taxable
Staff Suggestion Scheme Awards	Yes	When the small benefit exemption applies.
Exceptional Performance Awards	Yes	When the small benefit exemption applies.
Examination Awards	Yes	Allowable expenses include the cost of course materials other than those provided as part of the course fees and certain travel expenses, where all of the conditions outlined in paragraph 4 are satisfied.
Special Increments	Yes	No exemptions applicable.
Long Service Awards	Yes	When the small benefit exemption applies, or where an award takes the form of tangible articles of reasonable cost, where all of the conditions outlined in paragraph 5 are satisfied.
Course and Examination Fees	Yes	When course is relevant to employer's business, see paragraph 3 .
Examination Expenses	Yes	Allowable expenses include the cost of course materials other than those provided as part of the course fees and certain travel expenses, where all of the conditions outlined in paragraph 4 are satisfied.