

Chapter 13 - The provision of third-party benefits

Part 05-01-01m

This manual should be read in conjunction with Part 5 of the
Taxes Consolidation Act 1997

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1 Introduction

This manual outlines the tax treatment applicable where a benefit is provided to an employee by someone who is not that employee's employer i.e., a third party.

Generally, where a benefit given to an employee by a third party gives rise to a charge to tax, it is the third party who provided the benefit who is responsible for accounting for the Income Tax, PRSI and USC on same, rather than the employer.

Where a third party has doubts as to his or her obligations to operate Income Tax, PRSI and USC on benefits provided, the full facts should be sent via [MyEnquiries](#) to the local Revenue Branch dealing with that employer or third party.

2 Cash / Perquisites Provided by Third Parties

A gift or benefit from a third party, provided in the form of cash or other perquisite, is taxable when the following two conditions are met:

- the gift or benefit fits within the meaning of salaries, fees, wages, perquisites, or profits as described in section 112 of the Taxes Consolidation Act 1997 (TCA 1997), and
- the gift or benefit is as a result of an individual having or exercising an office or employment.

In general, gifts or benefits provided by a third party as a result of an individual having or exercising an employment will be within the charge to Income Tax.

3 Cars and Vans Provided by Third Parties

If an individual has, by reason of his or her office or employment, a car or a van available for his or her private use, a taxable benefit-in-kind (BIK) arises even if the person providing the car or van is not the individual's employer.

Sections 121 and 121A TCA 1997 provide that a taxable BIK arises where a car or van is available to the employee by reason of his or her employment. See [Tax and Duty Manual Part 05-01-01b](#) for further information on the charge to BIK for cars and vans.

Example 1

Karen works in a supermarket and one of the supermarket's major suppliers provides a car for Karen's use. The supplier would not give Karen the use of a car but for the fact that she is an employee of the supermarket. As Karen has the use of the car by reason of her employment, a BIK charge arises and the supplier is responsible for operating Income Tax, PRSI and USC on same.

4 Preferential Loans

For third party loans to be treated as a third-party benefit on which a charge to tax arises, the third party must be connected to the employer. Section 10 TCA 1997 sets out the definition of a connected person and a full list of connected persons is available in [Tax and Duty Manual Part 05-01-01a](#).

Where the employer and third-party provider are connected a charge to tax arises. See [Tax and Duty Manual Part 05-01-01d](#) for further information on the tax treatment of preferential loans.

5 Other Benefits

For the general BIK charging provision, as set out in section 118 TCA 1997, to apply to the gift or benefit the following conditions must be met:

- the gift or benefit should not, in the first instance, be taxable under section 112 TCA 1997, and
- the employer, or a person connected with the employer, must incur additional expenses beyond those taxable under section 112 TCA 1997 in providing the benefit.

Thus, section 118 TCA 1997 does not apply to third party gifts or benefits unless it is the case that the third party:

- has incurred a cost in providing the gift or benefit, and
- is connected with the employer.

Generally, benefits other than those specifically mentioned above that are provided by a third party will not give rise to a charge under section 118 TCA 1997 where:

- the provider of the benefit and the employer of the individual are not connected in any way, either directly or indirectly,
- there is no reciprocal arrangement or scheme in place between the third party and the employer or anyone connected with the employer, and
- the employer of the individual has not incurred, either directly or indirectly, any expense in relation to the benefit.