Taxation of Long Service Awards

Part 05-01-04

Document last reviewed July 2019
1. Introduction

Awards for long service are, concessionally, not charged to tax provided certain conditions are met.

2. Circumstances in which awards for long service are not charged to tax

Where awards are made to directors or other employees as testimonials to mark long service, such awards are normally taxable. Where, however, an award takes the form of tangible articles of reasonable cost, tax may not be charged provided that -

(a) the cost to the employer does not exceed a maximum of €50.00 for each year of service,

(b) the award is made in respect of a period of service of not less than 20 years, and

(c) 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.

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

3. What is considered a reasonable cost figure?

An article may be taken to be of reasonable cost for the purpose of this concession where the cost to the employer does not exceed €50 for each year of service.

Note:

- It may be that one or two awards are made over the course of a career – for example, after 25 and 40 years. The awards are treated separately in each instance for the purpose of calculating the concessional reasonable cost figure. However, long service awards cannot be made within five years of each other. Furthermore, any obvious abuse of the concession, for example, an unusual frequency of awards to an individual, will lead to its withdrawal and tax being applied in full to the awards made.
Example 1

John has 30 years service with his employer and the employer wishes to acknowledge this service. He is presented with a watch valued at €1,200.

Relevant ceiling for the application of the concession is 30 x €50 = €1,500.

As the award does not exceed this ceiling tax need not be applied.

Example 2

Paddy has 21 years service and it is proposed that he be given a long service award valued at €2,500 in recognition of his involvement with the company.

Relevant ceiling for the application of the concession is 21 x €50 = €1,050.

As the proposed award exceeds this ceiling tax must be applied to the full payment.

Note - If the proposed award was to be made in the form of a cash payment rather than a tangible article the award would be fully taxable – even if the proposed amount had been less than the concession limit.

Example 3

Julia gets an award after 21 years service with her employer and is given a long service award valued at €1,000 in recognition of her involvement with the company.

Relevant ceiling for the application of the concession is 21 x €50 = €1,050.

As the award does not exceed this ceiling tax need not be applied.

She gets a further award after forty years service valued at €1,750.

Relevant ceiling for the application of the concession is 40 x €50 = €2,000.

As the second award does not exceed this ceiling tax need not be applied.