

Schedule E Basis of Charge

Part 05-01-08

This document should be read in conjunction with Section 112 of the Taxes Consolidation Act 1997

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1 Introduction

Section 112 of the Taxes Consolidation Act (TCA) 1997 provides the statutory basis of assessment for income tax chargeable under Schedule E, including the persons chargeable and the extent of the charge to tax.

Income tax under Schedule E is charged for each year of assessment on every person having or exercising an office or employment of profit mentioned in that Schedule, and in respect of every annuity, pension or stipend chargeable under that Schedule. The charge to tax covers all salaries, fees, wages, perquisites or profits whatever derived from the office, employment or pension for the year of assessment.

2 Basis of Assessment

2.1 General Position

For the year of assessment 2018 and subsequent years, the statutory basis of assessment for emoluments is the amount of income paid to the employee in the year of assessment, i.e., employees are taxed on the “receipts basis”. This is subject to some exceptions, which are outlined in [paragraph 3](#).

The basis of assessment prior to 1 January 2018 is explained in [paragraph 5](#).

2.2 Emoluments arising or payable prior to the commencement of an office or employment or after cessation of an office or employment

As noted above, for 2018 and subsequent years, income tax is to be charged in respect of Schedule E income by reference to the amount paid in the year of assessment, i.e., the receipts basis of assessment. This also applies, with effect from 1 January 2018 to emoluments arising or payable:

- prior to the commencement of the office or employment, or
- in cases where the office or employment is no longer held,

i.e., the receipts basis of assessment applies irrespective of the fact that the office or employment has not yet commenced, or is no longer held.

3 Exceptions to the receipts basis of assessments

While the receipts basis of assessment applies to the taxation of emoluments effective from 1 January 2018, section 112 TCA 1997 provides for certain exceptions to the rule.

3.1 Proprietary Directors

The receipts basis of assessment does not apply to income from certain directorships as set out in Section 112(6) of the TCA 1997.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

Proprietary directors, i.e., directors who own or control more than 15% of the share capital of a company continue to be taxed on the earnings basis of assessment.

Example:

Strict earnings Basis:

Director's remuneration charged in company accounts to 30 June 2023 - €100,000

Director's remuneration charged in company accounts to 30 June 2024 - €150,000

Strict earnings basis calculation of Schedule E director's remuneration for tax year 2023 –

€100,000 x 6/12 = € 50,000

€150,000 x 6/12 = € 75,000

Assessable €125,000

However, other than the first and last year, the director's remuneration assessable for a tax year is normally taken as the amount of director's remuneration charged in the company accounts for a year ended within the tax year. In the example above, the director's remuneration charged in the company accounts to June 2023 will form the basis of assessment for Schedule E for 2023. The director will be assessed on the amount shown in the company accounts, i.e., €100,000. This arrangement does not apply where either there is a change to the accounting period, or the accounting period is not for a 12 month period.

3.2 PAYE Exclusion Orders

The receipts basis of assessment does not apply to income in respect of which a PAYE Exclusion Order has issued. Generally, Exclusion Orders are issued in respect of non-resident employees and certain other individuals who will not have a tax liability in the State. Income which is subject to an Exclusion Order continues to be assessed on the "earned basis", i.e., the amount an individual actually earns in a year of assessment. For more details on PAYE Exclusion Orders, please refer to Tax and Duty Manual [Part 42-04-01](#) PAYE Exclusion Orders.

3.3 Social welfare payments

The Department of Social Protection holds an Exclusion Order in respect of taxable payments that it makes under the Social Welfare Acts. Consequently, all such payments continue to be assessed on the earnings basis of assessment. This addresses the situation where an accumulation of arrears is paid and could result in payments that would normally be taxed at the lower rate of tax coming into charge at the higher rate.

Example:

A pensioner has a private occupational pension of €5,000 per year. He should also have been paid a State pension of €13,000 for each of the tax years 2021, 2022 and 2023, but failed to claim it. Arrears are paid in 2024 together with the current State pension of €13,000.

For each of the tax years 2021, 2022 and 2023, €13,000 is added to the taxpayer's occupational pension income and taxed at the individual's marginal rate.

4 Death cases

Where a person dies and salary is due to be paid to the deceased person, the payment is deemed to have been made to the deceased person immediately prior to death.

This ensures that the income tax liability remains on the deceased person and not on the estate of the deceased person. This avoids situations where the personal representative would be required to register the estate for income tax in respect of employment income earned prior to death.

5 Position prior to 1 January 2018

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

5.1 Basis of assessment

For the year of assessment 2017 and prior years, the statutory basis of assessment (as set out in Section 112 of the TCA 1997) for employment income was the amount actually earned in the year regardless of whether or not the income was paid to the individual during that year of assessment. This is known as the "earnings basis" of assessment. The move to the "receipts basis" of assessment for the year 2018 and subsequent years had no effect on employers or employees, as the Finance Act 2017 amendment merely aligned, on a statutory basis, the charge to tax on the individual with the practical operation of the PAYE system.

5.2 Transitional Provision

Where emoluments were chargeable to tax for the year 2017 (on the earnings basis of assessment) and were also chargeable to tax in the year 2018 (on the receipts basis of assessment), an individual applied to Revenue to have the emoluments for the year 2017 charged to tax on the basis of the actual emoluments paid to the individual in 2017 (i.e., on the receipts basis of assessment).