

Taxation of Employees Working in the State for a Foreign Embassy

Part 5, Chapter 1 of the Taxes Consolidation Act 1997

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1 Introduction

This Manual sets out the position regarding the taxation of staff working for a Foreign Embassy in the State.

2 Staff on Diplomatic Missions

The salaries of individuals working in Ireland for Diplomatic Missions are chargeable to tax in the State unless the salaries are relieved from the charge to tax. The main relieving provisions for such salaries are (i) the Diplomatic Relations and Immunities Act 1967, and (ii) the Governmental Services Article of the relevant Double Taxation Agreement. Normally individuals from foreign jurisdictions working in Ireland in the embassy of their respective countries are relieved from Irish tax as a result of those provisions.

3 Locally Engaged Staff

An example of a locally engaged staff is an office worker, cleaner etc. who is resident in the State and employed by an embassy. Such employees do not benefit under the terms of either the Diplomatic Relations and Immunities Act 1967 or the Governmental Services Article of a Double Taxation Agreement, and are therefore within the charge to tax in the State.

Embassies may operate PAYE on such remuneration on a voluntary basis. In such cases, employees should be issued with Tax Credit Certificates in order to ensure that the correct deductions of tax, USC and PRSI (as appropriate) are made.

Where an Embassy chooses not to operate PAYE on a voluntary basis, the employee is treated as a 'chargeable person' and dealt with under the self-assessment. However, the Employee Tax credit should be granted to these individuals.

4 PRSI

Embassies are treated as coming within the Special Collection system for PRSI. Where an Embassy chooses not to operate PAYE on a voluntary basis, the Embassy is required to register for PRSI, deduct PRSI from the employees' remuneration, and pay the employees' contributions plus the employer's contribution directly to the Department of Social Protection. However, the Embassies who operate PAYE on a voluntary basis will also operate PRSI as normal.

5 Irish Staff on Diplomatic Missions Abroad

The salaries of individuals working on behalf of Ireland for Diplomatic Missions abroad are chargeable to tax in this State as they hold a 'Public Employment'. Therefore, they remain within the charge to tax in this State and continue to pay tax/USC/PRSI on their salaries.