

Taxation of Short-Term Illness Benefit and Occupational Injury Benefit from the Department of Social Protection

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Section 126 (3) Taxes Consolidation Act 1997 (TCA) provides that Illness Benefit and Occupational Injury Benefit which are payable by the Department of Social Protection (DSP) are taxable payments.

When an employee is absent from work due to illness and receives, or is entitled to receive, short term Illness Benefit or Occupational Injury Benefit, the tax on such benefits is collected through the PAYE system. Where an employee becomes entitled to receive the above benefits, DSP provide details of the claim to Revenue and the tax due is collected through the reduction of an employee's tax credits and rate band. Revenue issues an amended Revenue Payroll Notification (RPN) with reduced tax credits and rate band to the employer. These benefits are not subject to PRSI or the Universal Social Charge (USC).

For the year 2012 and subsequent years, the tax exemption that previously applied to the first six weeks (36 days) of Illness Benefit/Disability Benefit and Occupational Injury Benefit was removed. Illness Benefit and Occupational Injury Benefit are therefore taxable in full.

Additional payments made in respect of qualifying children included in a claim for Illness Benefit or Occupational Injury Benefit are exempt for tax purposes. "Taxable Illness Benefit" and "Taxable Occupational Injury Benefit" therefore mean Illness Benefit or Occupational Injury Benefit minus any additions for a qualifying child.

For a comprehensive guide to the operation of PAYE on Illness Benefit and Occupational Injury Benefit please refer to the Revenue [website](#).