National Co-op Farm Relief Service Operators

Part 42-04-55

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Note: This manual is currently subject to review and may not reflect up-to-date position. Most recent version.

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

The information in this document is provided as a guide only and is not professional advice, including legal advice. It should not be assumed that the guidance is comprehensive or that it provides a definitive answer in every case.

1 Introduction

The National Co-op Farm Relief Services (FRS) provide a wide range of services, primarily to the farming community. The tax treatment of these services varies depending on the nature of the engagement.

The question of whether an individual is an employee or self-employed for tax purposes depends on the facts and circumstances of their engagement. Tax and Duty Manual 05-01-30 'Revenue Guidelines for Determining Employment Status for Taxation Purposes' sets out the process and steps to be followed during the determination.

The following sets out the tax treatment that generally applies in different scenarios.

2 Operators who provide labour only

2.1 Tax

Based on Revenue's experience to date, for taxation purposes, operators providing labour only will, subject to the application of the five-step framework detailed in Tax and Duty Manual Part 05-01-30, generally be engaged under a contract of service and will therefore be employees. Consequently, any emoluments they receive will be subject to deductions of Income Tax, Universal Social Charge (USC) and Pay Related Social Insurance (PRSI) under the Pay As You Earn (PAYE) system. Travel expenses are allowable only where an operator is **necessarily** obliged to incur such expenses "**in the performance**" of his or her employment duties. Expenses incurred in travel to and from work are not allowable.

2.2 PRSI

The PRSI Class applied to an engagement is always subject to the individual operator's right to seek a decision from the Scope Section of the Department of Social Protection (DSP) regarding his or her insurability status. The DSP may also investigate the class of PRSI applied to any individual worker.

On 1 January 2003, an arrangement was put in place whereby Class S PRSI could initially be returned for such workers. However, labour only operators were subject to Class A PRSI if they worked for the same farm for 12 months or more. An individual worker could at any time seek a decision from DSP in relation to the appropriate class of PRSI payable on their behalf.

Clarifications in the area of employment status since then, which are reflected in the Code of Practice on Determining Employment Status (the Code), mean that the duration of an engagement should not be the sole factor in determining employment status for PRSI purposes. The Code was reviewed and updated in November 2024 following the Supreme Court judgement in the Karshan case.

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The insurability of all operators should be determined on the basis of the specific terms and conditions of the engagement and the application of the Code to these terms and conditions.

If there is any uncertainty as to the correct PRSI class which is applicable, queries should be referred to Scope Section in the Department of Social Protection, Áras Mhic Dhiarmada, Store Street, Dublin 1 D01 WY03 Phone: (01) 673 2585 or email scope@welfare.ie. Further information can be obtained at Operational Guidelines: Scope Section - Insurability for PRSI purposes.

3 Operators who provide equipment only

Operators who provide equipment only are entitled to payment for the hire of equipment gross (without deduction of PAYE/USC/PRSI). Payment is made gross to the operator by the FRS office on receipt of an invoice for the hire cost. The normal rules apply in relation to returning these payments on Form 46G annually. Invoices relating to the hire costs must be retained by the appropriate FRS office and may be examined in the event of an audit. These records must be kept for six years.

4 Operators who provide equipment in addition to labour

The issue of the employment status for taxation purposes of such an operator needs to be considered in respect of each job by reference to the five-step framework as detailed in Tax and Duty Manual Part 05-01-30. Where an operator is determined to be an employee upon application of the five-step framework as detailed in Tax and Duty Manual Part 05-01-30, the entire payment is subject to PAYE/USC/PRSI deductions.

Where an operator is determined to be employed in respect of an engagement, they may complete a PAYE Income Tax return after the end of the year in which the engagement occurred and they may claim expenses incurred wholly, exclusively and necessarily in the performance of duties of the employment if they so wish. Credit for these expenses incurred may, as appropriate, be incorporated in the operator's Statement of Liability for the tax year. Guidance on the deductibility of expenses in employment is available in Tax and Duty Manual Part 05-02-20.

Where the operator is determined to be a self-employed contractor upon application of the five-step framework, i.e., engaged on a bona fide contract for services, payment of the entire sum due will be made by the appropriate FRS office, without PAYE/USC/PRSI deductions, on production of an invoice. The normal rules apply in relation to FRS returning these payments on Form 46G annually.

In such cases, where the operator is VAT registered, an invoice must be issued to show the operator's VAT number and the VAT due in respect of the transaction. The operator will be entitled to claim relevant input credits in accordance with normal VAT rules.

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