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# National Co-op Farm Relief Service Operators

## Part 42-04-55

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

### 2 Operators who provide labour only

These operators are employees and are within the PAYE system of tax deduction. Based on a decision by the Department of Employment Affairs and Social Protection, class S PRSI initially applies to the income of these operators. However, class A PRSI applies where the operator continues to be engaged by FRS on the same farm for more than 12 months.

### 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/PRSI/USC). 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

### 4.1 VAT registered operators

Where an operator is VAT registered, the issue of whether that operator is a self-employed contractor needs to be considered. Where the operator is genuinely a self-employed contractor i.e. is engaged on a bona fide contract for services, payment of the entire sum due will be made by the appropriate FRS office, without PAYE/PRSI/USC deductions, on production of an invoice. The invoice must show the operator's VAT number and the VAT due in respect of the transaction. The normal rules apply in relation to returning these payments on form 46G annually.

### 4.2 Operators not registered for VAT

In these cases, the entire payment is subject to PAYE/PRSI/USC deductions. Operators may contact their local Revenue office to claim expenses in relation to the equipment provided, if they so wish. Credit for this may, as appropriate, be incorporated in the certificate of tax credits and standard rate cut off point issued.

## 5 Expenses

In the case of operators who provide labour only, it is Revenue's view that a contract of service exists, i.e. that they are employees. In the case of travel expenses, they 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.