

Taxation of Couriers

Part 04-01-07

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Introduction

Revenue has reviewed the circumstances surrounding the engagement of motor cycle and bicycle couriers. The purpose of this manual is to clarify:

- the tax treatment of motor cycle and bicycle couriers with effect from 1 January 2019 and,
- that the previous agreement set out in appendix 1 will no longer apply.

Employed or Self-Employed?

In order to determine the status of a courier, it is necessary to examine each case by reference to the [Code of Practice for Determining Employment or Self-Employment Status of individuals](#).

Whilst the facts of each case will determine whether an individual is either an employee or self-employed, Revenue are of the view that, in general, motor cycle and bicycle couriers are engaged under a contract for service i.e. they are self-employed individuals.

Return of income

With effect from 1 January 2019 motor cycle and bike couriers engaged under a contract for service i.e. self-employed individuals, will need to file a tax return under self-assessment. They may make a claim for the [Earned Income Credit](#)

Expenses

All self-employed couriers may make a claim for any expenditure incurred wholly and exclusively for the purpose of their courier activity.

Revenue's previous agreement of a flat rate deduction for expenses of 20%, 40%, or 45% (see appendix 1) will no longer apply with effect from 1 January 2019.

Voluntary PAYE

Many courier firms have opted to implement a voluntary PAYE system of tax deduction to help couriers comply with their tax obligations, and Revenue has no issue with this arrangement continuing. Tax/USC/PRSI should be applied on the gross income.

Van Owner-Driver Couriers

Similarly, in order to determine the status of van owner-driver couriers, it is necessary to examine each case by reference to the [Code of Practice for Determining Employment or Self-Employment Status of individuals](#).

Whilst the facts of each case will determine whether an individual is either an employee or self-employed, Revenue are of the view that, in general, van owner-driver couriers are engaged under a contract for service i.e. they are self-employed individuals.

Appendix 1

Position up to 31 December 2018

Question

How are couriers treated for tax purposes?

Answer

Couriers are regarded as self-employed for PRSI purposes as a result of a Social Welfare Appeals Officer's decision. In the interest of uniformity Revenue decided, without prejudice, to treat them as self-employed for tax purposes.

Many courier firms have opted to implement a voluntary PAYE system of tax deduction in respect of couriers engaged by them. The employee tax credit is given to the couriers who are subject to this voluntary PAYE deduction system.

A special flat-rate expense allowance regime has been agreed for couriers on voluntary PAYE (see Appendix below for details). In the interest of reducing the administrative overhead, this involves treating expenses as a percentage of income. The PAYE principle of disregarding the allowable expenses for tax purposes before operating PAYE was applied.

Any courier wishing to join the voluntary PAYE scheme should contact his/her Inspector of Taxes.

APPENDIX A

Motor Cycle Couriers

Motorcycle couriers' expense allowance figure, to exclude wear and tear on the motorcycle, is agreed at 40% of a courier's gross earnings.

Wear and tear on the motorcycle will be regarded as additional to the 40% expenses deduction. To avoid couriers, courier firms and Revenue having to compute wear and tear on an ongoing basis, particularly each time a motorcycle is changed, 5% of the courier's gross earnings is allowed as an additional expense to cover wear and tear on the motorcycle. This gives a total expense allowance of 45% of gross earnings for motorcycle couriers.

Cycle Couriers

While cycle couriers would not have a similar level of expenditure to motorcycle couriers, a composite flat-rate expenses figure of 20% is allowed to cover wear and tear, replacement of the bicycle and spare parts and the purchase, replacement and cleaning of specialist gear, etc.

Van Owner-Driver Couriers

Due of the limited numbers and the particular circumstances of van owner-driver couriers, there is no flat-rate expense for this category. They may claim expenses incurred "wholly and exclusively" for the purpose of the trade in the normal way.