

Taxation of Couriers

Part 04-01-07

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1. Introduction

The purpose of this manual is to outline the tax treatment of couriers. The previous practice that applied to motorcycle and bicycle couriers as set out in Appendix 1 in relation to a flat-rate expense allowance regime no longer applies with effect from 1 January 2019.

2. Employed or Self-Employed?

The facts of each case will determine whether an individual is either an employee or self-employed. A worker's employment status is not a matter of choice. It depends on the terms and conditions of the job. A contract of service applies to an employee/employer relationship while a contract for service applies in the case of an independent or self-employed contractor.

To determine employment status for taxation purposes, the five step framework as set out in the Supreme Court judgement in the Karshan (Midlands) Ltd t/a Domino's Pizza case [2023] IESC 24 should be used. Tax and Duties 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 and includes examples to assist businesses. Example 9 in the manual considers the status of a courier by reference to a particular set of circumstances and in applying the five step framework, the courier is considered an employee.

3. Return of Income

Where, having applied the five step framework, a courier is correctly considered to be engaged under a contract for service, i.e., a self-employed individual for taxation purposes, he or she is required to fulfil their self-assessment obligations and is obliged to file a tax return and account for all their income in their tax return. Self-employed individuals may make a claim for the [Earned Income Credit](#).

Certain businesses are required to file a Form 46G return to Revenue containing details of payments made by them to third parties for services provided. This return must be filed with the annual Tax Return. Further information on [Form 46G](#) is available on Revenue's website.

4. Expenses for self-employed couriers

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

5. 'Voluntary' PAYE

A small number of courier firms continue to implement a 'voluntary' PAYE system of tax deduction to help couriers engaged on a self-employed basis to comply with their tax obligations, and Revenue is prepared to agree that this arrangement may continue for the present. Tax/USC/PRSI should be applied on the gross income with no flat-rate expense deduction.

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 local Revenue office.

Appendix

Motorcycle Couriers

Position up to 31 December 2018

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

Position up to 31 December 2018

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 to 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.