

Tax treatment of payments received under the Basic Income for the Arts Pilot Scheme

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Introduction

In April 2022, the Government launched the Basic Income for the Arts (BIA) pilot scheme. The scheme is administered by the Department of Tourism, Culture, Arts, Gaeltacht, Sports and Media (hereinafter referred to as “the Department”). The pilot scheme is open to eligible artists and creative arts sector workers. Further details of scheme may be found [here](#). Individuals who qualify for the scheme receive a payment of €325 per week, payable monthly. All queries in relation to the operation of the scheme should be directed to the Department. The purpose of this manual is to clarify the tax treatment of such payments.

1 How the payments are taxed

The payments, which are in the nature of an income grant, are taxable under either Case I or Case II of Schedule D as income from a trade or profession (i.e. self-employed income). Generally, the income tax treatment of a trade or profession is similar. Any reference to a trade in this manual should be read as including a reference to a profession unless otherwise indicated.

2 Calculation of taxable profits

Profits (or losses) of a trade, for tax purposes, are calculated in the same way as they are for accounting purposes. However, **section 81 of the Taxes Consolidation Act (TCA) 1997** provides that only expenses incurred wholly and exclusively for the purposes of a trade are deductible in arriving at taxable profits (or allowable losses). Additionally, certain expenses are specifically disallowed (e.g. business entertainment expenses). Expenditure of a capital nature also cannot be deducted but capital allowances may be available. Payments received under the BIA scheme are included when calculating the taxable profit (or allowable loss) of the trade or profession carried on by the individual in connection with his/her artistic or creative arts sector related activity.

3 Artists Exemption Scheme

Income earned by an individual from the sale, publication, or production of their artistic work may be exempt from Income Tax. Where Revenue makes a determination that the works are original and creative works and are generally recognised as having cultural or artistic merit, income of up to a maximum of €50,000 per annum from these works is exempt from Income Tax. This relief from Income Tax is referred to as the Artists' Exemption and full details of the scheme are available on the Revenue website.

It should also be noted that payments received by an individual under the BIA scheme cannot be included as part of income qualifying for the Artists' Exemption.

4 PRSI

PRSI applies where an individual has a minimum annual income of €5,000 and is between 16 and 66 years of age. Generally self-employed individuals pay Class S PRSI on their self-employed income at a rate of 4%¹ (after deducting capital allowances). Payments made under the BIA scheme are liable to PRSI under Class S as income from self-employment.

5 USC

Where an individual's total income exceeds a certain amount (currently €13,000), USC must be charged on the full amount of your income. Total income includes, for example, employment income, self-employed income and rental income. Payments made under the BIA scheme are liable to USC. Please refer to the Revenue website for further information on [USC](#) including the rates applicable.

¹ Subject to a minimum payment of €500.

6 Making tax returns

The normal rules in relation to making a tax return apply to an individual in receipt of payments under the BIA scheme. Where an individual is in receipt of such payments and is not (or, as appropriate in joint assessment cases, the spouse or civil partner of the individual is not) already registered with Revenue for income tax purposes, the individual (or, as appropriate in joint assessment cases, the spouse or civil partner of the individual) should register for self-assessment to income tax. Details of how to [register for income tax](#) are available on the Revenue website.

Individuals in receipt of payments under the BIA scheme, must [register for self-assessment](#) to income tax. This obligation applies whether individuals or their spouse/civil partner in joint assessment cases, have additional sources of income, such as PAYE income, or not. All sources of income must be declared on the income tax return (Form 11).

7 Tax Clearance

If an individual qualifies for the BIA scheme, the Department will require the individual to provide a Tax Clearance Certificate (TCC) before making any payments to them under the BIA Scheme. A Tax Clearance Certificate is confirmation from Revenue that the individual's tax affairs are in order at the date of issue of the certificate. Revenue provides an electronic Tax Clearance (eTC) system where applications can be made for a TCC online. In general, an application is made using:

- myAccount in the case of a Pay As You Earn (PAYE) customer, or
- Revenue Online Service (ROS) in the case of a business customer.

If an individual is not already registered for one of the above, s/he will need to do so before applying for a TCC.

Details of how to register for [myAccount](#) or [ROS](#) and how to [apply for a TCC](#) are available on the Revenue website.

8 VAT

A basic payment does not represent consideration for any supply between the individual and the State and is, therefore, outside the scope of VAT. The receipt of such a payment will not:

- give rise to a VAT liability or an entitlement/requirement to register for VAT,
- be taken into account for the purpose of the VAT registration threshold, or
- give entitlement to deductibility where an individual incurs expenditure in relation to the payment.

9 Miscellaneous

Financial institutions, Government Departments and other bodies are required to make annual returns to Revenue of the names, addresses and tax reference numbers of people to whom they have made certain types of payments. These payments include payments made under the BIA scheme. This requirement is provided for by **section 891B TCA 1997**, S.I. No. 273 of 2011- Returns of Payments (Government Departments and Other Bodies) Regulations 2011. Revenue will treat as confidential the information provided on this return. However, Revenue may, when permitted or requested to do so by legislation, disclose this information to other Government Departments and State agencies.