

Chapter 3 - The provision of free or subsidised accommodation

Part 05-01-01c

This manual should be read in conjunction with sections 112, 118 and 119 of the Taxes Consolidation Act 1997

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1 Introduction

This manual outlines the tax treatment applicable where accommodation is made available to an employee, by his or her employer, for their private use.

These provisions apply both to directors and employees, irrespective of the level of emoluments from the office or employment, unless otherwise stated.

Generally, the employee will be taxed on the annual value or market rent of the property, plus any related expenses paid by the employer such as light or heat. The specific manner in which the charge to tax is calculated depends on whether the property is owned or rented by the employer, as set out below in sections [2](#) and [3](#) respectively.

Employer-Owned Accommodation

2.1 Charge to BIK

Where the accommodation is owned by the employer, the value of the BIK to the employee is the aggregate of:

- i) the annual value of the use of the accommodation, and
- ii) any expense (other than the cost of acquisition) incurred by the employer in connection with the provision of the accommodation, such as the cost of light and heat.

The annual value of the use of employer-owned accommodation is the annual rent which the employer might reasonably expect to obtain for the property if the tenant had a letting on the following assumptions:

- the letting is on a year to year basis,
- the tenant undertakes to pay all the usual tenant's rates, and
- the landlord undertakes to bear the costs of the repairs, insurance and any other expenses necessary for maintaining the premises in a state to command that rent.

This is known as the market rent.

The following may be of assistance in establishing an annual market rent:

- an independent auctioneer's or letting agent estimate; and
- figures on the [CSO website](#) pertaining to average monthly rents provided by the Residential Tenancies Board (RTB).

The employer should be able to support the basis of the annual market rent used in all cases.

The annual value of employer owned accommodation should be determined when the accommodation is first provided to an employee, and then reviewed annually for as long as the property is available to that employee.

Once determined, the annual value should be reduced by any amount which the employee is required to, and actually makes good, directly to the employer.

Where two or more employees share the accommodation provided, the taxable BIK should be apportioned.

Example 1

An employer provides an employee with the use of an apartment owned by the employer, rent free.

A valuation report states the rent which the company might reasonably expect to receive for the apartment on an arm's length basis (i.e. the market rent) is €24,000 per annum.

Notional pay of €24,000 (i.e. €2,000 per month) must be added to the employee's salary for the purposes of calculating PAYE, PRSI and USC.

Example 2

An employer provides an employee with the use of a two-bedroom apartment owned by the employer, rent free.

According to the CSO website, similar type two-bedroom apartments in the area are currently let for €2,500 per month.

Notional pay of €30,000 (€2,500 per month) must be added to the employee's salary for the purposes of calculating PAYE, PRSI and USC.

Example 3

An employer provides an employee with a house, owned by the employer, at a subsidised rent of €1,000 per month.

A letting agent estimate indicates that the annual value of rent for the house is €32,000.

The taxable BIK is €20,000 ($€32,000 - (€1,000 \times 12)$) and notional pay of this amount must be added to the employee's salary for the purposes of calculating PAYE, PRSI and USC.

Example 4

An employer provides two employees with a house, owned by the employer, at a total subsidised rent of €1,000 per month.

A letting agent estimate indicates that the annual value of rent for the house is €32,000.

The total taxable BIK is €20,000 ($€32,000 - (€1,000 \times 12)$). This must be split between the two employees and therefore the taxable BIK for each individual is €10,000 ($€20,000 \div 2$). Notional pay of €10,000 must therefore be added to each of the employees' salary for the purposes of calculating PAYE, PRSI and USC.

2.2 Exemption – Employee Required to Live on Premises

A taxable BIK will not arise where an employee -

- Meets the 'better performance test' i.e. the employee is required, by the terms of his or her employment, to live in accommodation provided by the employer in part of the employer's business premises, so that the employee can properly perform his or her duties,

and either –

- the accommodation is provided in accordance with a practice which, since before 30 July 1948, has commonly prevailed in trades of the class in question as respects employees of the class in question, or
- it is necessary, in the particular class of trade, for employees of the class in question to live on the premises.

This exemption does not apply to company directors.

In the context of public sector employees and office holders, "trade" and "business premises" are to be understood as encompassing, respectively, the activities which the public body is required or permitted to do by statute and the premises at which those activities are carried out.

It is accepted that the 'better performance test' is met in practice where -

- the employee is required to be on call outside normal hours,
- the employee is in fact frequently called out, and
- the accommodation is provided so that the employee may have quick access to the place of employment.

Examples of such employees who generally meet the 'better performance test' include:

- managers or night care staff in residential or respite centres (where such centres are not nursing facilities),
- governors and chaplains in prisons,
- caretakers living on the premises (where they are in a genuine full-time caretaking job),
- student nurses engaged in grant funded diploma programs under the auspices of the Department of Health / Health Authorities, and
- au Pairs who are required by the terms of their employment to 'live in' and who are "on call".

2.3 Exemption for Members of the Permanent Defence Force

A specific statutory exemption from BIK applies to members of the Permanent Defence Force in relation to the provision of living-in accommodation and certain healthcare.

It is policy that Permanent Defence Force members are accommodated in barracks to be available to be mobilised at short notice in the event of an emergency situation arising. This accommodation is also used when members are participating in training courses.

Finance Act 2018 introduced section 120B of the Taxes Consolidation Act 1997, which provides an exemption from BIK for living-in accommodation expenses incurred by or on behalf of the Minister for Defence in relation to members of the Permanent Defence Force.

This exemption applies for the 2018 year of assessment and subsequent years, and applies to accommodation provided on land occupied by, used by, or under the control of the Permanent Defence Force.

2.4 Accommodation Rented by Employer

Where accommodation is rented, as market rent, by an employer for an employee this is regarded as a perquisite (as opposed to a BIK where the employer owns the premises). The value of the benefit/perquisite provided for PAYE, PRSI and USC purposes is:

- i) the actual amount of rent paid
less
- ii) any amount which the employee makes good to the employer in respect of the accommodation.

Example 5

An employer provides an employee with rented accommodation for which the rent, paid by the employer, is €1,500 per month. The employee makes a contribution of €200 per month towards the rent.

Notional pay of €1,300 per month (€1,500 - €200) must be added to the employee's salary for the purposes of calculating PAYE, PRSI and USC.

2.5 Employer-Provided Furniture

Where furniture, which remains in the employer's ownership, is provided by an employer for an employee's use, a BIK arises on the annual value of the use of the furniture.

The annual value of the use of the furniture is 5% of the market value of the asset when it was first provided by the employer to **any** employee. This is the amount that must be taken into account when calculating the taxable BIK which is to be included as notional pay for the purposes of PAYE, PRSI and USC.

Example 6

On 1 January, an employer provides an employee with a fully furnished property. The annual value of the property is €24,000. The furniture was newly purchased by the employer costing €10,000.

The total taxable BIK is:

Annual value of Property:	€24,000
Furniture: €10,000 x 5%	<u>€500</u>
Total amount subject to BIK:	€24,500

Notional pay of €24,500 must be added to the employee's salary for the purposes of calculating PAYE, PRSI and USC.

Example 7

On 1 January, an employer provides an employee with a fully furnished property. The annual value of the property is €24,000. The furniture was previously used by another employee. It was originally valued at €10,000 when used by the other employee but is now valued at €5,000.

The total taxable BIK is:

Annual value of Property:	€24,000
Furniture: €10,000 x 5%	<u>€500</u>
Total amount subject to BIK:	€24,500

The annual value of the use of the furniture is 5% of the market value of the asset when it was first provided by the employer, regardless of its current value. Notional pay of €24,500 must be added to the employee's salary for the purposes of calculating PAYE, PRSI and USC.

Office Accommodation, Supplies, etc.

A BIK does not arise where an employer provides an employee with office accommodation, supplies or services on the business premises which are to be used by the employee in performing the duties of his or her employment.

3 Accommodation Costs Paid as Part of a Relocation Package

Where an employer pays or reimburses personal expenses for an employee, such as removal or relocation costs, the amount paid or reimbursed is generally treated as part of the employee's remuneration and taxed accordingly.

However, payment of certain removal and relocation expenses will not give rise to a taxable benefit where the following conditions are met:

- the reimbursement to the employee or payment directly by the employer must be in respect of removal and relocation expenses actually incurred,
- the expenses must be reasonable in amount,
- the payment of the expenses must be properly controlled, and
- 'moving house' must be necessary in the circumstances.

The following is a non-exhaustive list of allowable relocation expenses:

- auctioneer's and solicitor's fees and stamp duty arising from 'moving house'
- removal of furniture and effects
- storage charges
- insurance of furniture and effects in transit or in storage
- cleaning stored furniture
- travelling expenses on removal
- temporary subsistence allowance while looking for accommodation at the new location (subject to a maximum of 10 nights at the appropriate subsistence rate as per the schedule in [Tax and Duty Manual Part 05-01-06](#) on Employees' Subsistence Expenses), and
- the vouched rent of temporary accommodation for a period not exceeding three months (this may not be paid concurrently with the temporary subsistence referred to above).

See [Tax and Duty Manual Part 05-02-03](#) for further details.

4 Provision of Accommodation Plus Meals at a Temporary Work Location

In some instances, as an alternative to paying subsistence or country money that would qualify as being tax free under the terms outlined in [Tax and Duty Manual Part 05-01-06](#), employers may choose to provide accommodation and meals at a temporary location where their employees are working.

Where this occurs, Revenue is prepared to accept that a taxable benefit will not arise in the hands of the employee where **all** of the following conditions are satisfied:

- the accommodation provided is not the principal private residence of the employee (i.e. he or she maintains separate accommodation where he or she normally resides); and
- if the accommodation is rented by the employer, the rent paid represents the reasonable cost of accommodation for the location; and
- the reimbursement as regards meals represents no more than a reasonable reimbursement of the actual cost.

5 Concessionary Treatment – COVID 19 circumstances

Due to health and safety concerns arising from COVID-19, an employee may be provided with temporary accommodation by his or her employer to mitigate against potential transmission risks.

Following the commencement of the COVID-19 pandemic, Revenue confirmed in respect of the 2020 and 2021 years of assessment, it is prepared to accept that no charge to BIK will arise in respect of temporary employer-provided accommodation where the accommodation made available is temporary in nature and the reason is to mitigate against the risk of transmission.

For example, where an employee returns from an overseas trip and requires self-isolation, or where there is a concern of transmission to other frontline staff members or workers residing in the same household.

This treatment will continue to apply for 2022. However, for the 2022 year of assessment 'temporary', in the context of this measure, will mean a maximum continuous period of 3 weeks.