

Agency Workers

Part 05-01-15

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1 Taxation of individuals employed through agencies

1.1 Background

There can be a perception that workers employed through an employment agency are not regarded as employees for taxation purposes. Revenue does not regard the taxation of workers employed through agencies any differently to the taxation of workers employed by any other means. Over the years, PAYE/PRSI/USC has been operated by agencies where the agencies are obliged to pay the person placed with a client. In contrast, PAYE/PRSI/USC has been operated by the client where the client is obliged to make the payment to the person placed with them.

1.2 Employee/Self-Employed

The question of whether a person is an employee or self-employed for tax purposes depends on the facts and circumstances of each case. Each case must be examined having regard to the five step decision making framework as set out in the Supreme Court judgement in Karshan (Midlands) Ltd t/a Domino's Pizza case [2023] IESC 24. Further guidance on this is included in Tax and Duties Manual 05-01-30 [Revenue Guidelines for Determining Employment Status for Taxation Purposes](#).

2 Operation of PAYE

Where the agency worker is regarded as an employee, there can be a perception that there is difficulty in determining who the employer is for the purpose of deducting income tax/PRSI/USC. The PAYE system has always recognised the uniqueness of a “paying employer”, who may not be an employer in the strict sense. For example, a pensioner can be an “employee” and the body paying the pension can be an “employer” for the purpose of operating the PAYE system.

Chapter 4, Part 42 of the Taxes Consolidation Act (TCA) 1997 and the Income Tax (Employments) Regulations 2018 deal with the administration of the PAYE system. Section 983 TCA 1997 contains the following definitions:

- **Employer** means any person paying emoluments
- **Employee** means any person in receipt of emoluments

- **Emoluments** means anything assessable to income tax under Schedule E, and references to payments of emoluments include references to payments on account of emoluments.

Therefore, the person who is contractually obliged to make the payment to an employed agency worker is the employer for the purpose of collecting income tax, USC and PRSI through the PAYE system.

The VAT treatment of employment agencies is dealt with in Revenue's Tax and Duty Manual [VAT treatment of Employment Agencies](#)