

The taxation treatment of sums paid under the Minimum Notice and Terms of Employment Acts 1973 - 2005

Part 07-01-25

This document should be read in conjunction with section 201 and Schedule 3 of the
Taxes Consolidation Act 1997

Document last reviewed August 2021

1. What is the taxation treatment of sums paid under the Minimum Notice and Terms of Employment Acts 1973 - 2005?

1.1 Normal Pay/Sick Pay/Holiday Pay

Tax should be deducted by the employer under PAYE in the normal way.

1.2 Payment in lieu of notice

This income is chargeable to tax but may qualify for the €10,160 (plus €765 for each complete year of service) exemption, and the additional exemption and reliefs, where they apply, provided for in Section 201 and Schedule 3 TCA 1997.

However, where the contract of employment provides for a payment of this kind on termination of the contract, whatever the circumstances, such payment is chargeable to income tax in the normal way without the benefit of the exemption and reliefs mentioned above.

2. What is the tax treatment of awards made by the Employment Appeals Tribunal or Workplace Relations Commission?

In general, awards made by the Employment Appeals Tribunal or Workplace Relations Commission will have tax implications because the payments will normally be connected with the employment. It will depend on what the award covers as to the amount taxable. If it covers, say, a reimbursement of arrears of pay, holiday pay or sick pay it is taxable in full in the normal way. If it covers, say, a payment for breach of contract of service or compensation for loss of employment under the Unfair Dismissals Act 1977 - 2015 the €10,160 (plus €765 for each complete year of service) exemption (and the additional exemption and reliefs, where they apply) provided for in section 201 and Schedule 3 of the TCA 1997 will generally apply.