# Employee (PAYE) Tax Credit

# Section 472 of the Taxes Consolidation Act 1997

## Part 15-01-07

Document last reviewed May 2025

---

# Table of Contents

# 1 Application of the Employee (PAYE) Tax Credit

Section 472 of the Taxes Consolidation Act ("TCA") 1997 provides for a tax credit known as the "Employee Tax Credit" to an individual who is in receipt of emoluments to which the PAYE system of tax deduction at source applies or is applied. This credit may also be referred to as the "PAYE Tax Credit".

To note, certain emoluments do not qualify for this tax credit - see paragraph 2 below (excluded emoluments).

The amount of the tax credit is set out below:

| **Tax Year** | **Employee Tax Credit** |
|---|---|
| 2025 | €2,000 |
| 2024 | €1,875 |
| 2023 | €1,775 |
| 2022 | €1,700 |
| 2021 | €1,650 |

Where an individual's income tax liability is less than €2,000 in 2025, the Employee Tax Credit is restricted to the amount of the tax liability.

**Example**

| | |
|---|---|
| Gross Pay 2025 | €9,200 |
| Tax due €9,200 @ 20% = | € 1,840 |
| Less | |
| Employee tax credit | *€1,840 |
| Liability | Nil |

*The Employee Tax Credit is restricted to the amount of the liability.

Irrespective of the number of sources of emoluments to which the PAYE system of tax deduction at source applies, an individual is entitled to only one Employee Tax Credit. However, in the case of a couple to which joint assessment applies, each individual is entitled to the Employee Tax Credit against his or her respective emoluments. This is provided such emoluments are not "excluded" emoluments - see paragraph 2.

# 2 Excluded Emoluments

## 2.1 Overview

The Employee Tax Credit is not due against the income tax paid on certain emoluments, for example:

(a) the tax due on emoluments paid directly or indirectly by a company, or by anyone connected to the company, to a proprietary director of that company, or to the proprietary director's spouse/civil partner, *child or child of the civil partner or,

(b) the tax due on emoluments paid directly or indirectly by an individual (or by a partnership of which the individual is a partner) to the individual's spouse/civil partner, *child or child of the civil partner.

*Note: These exclusions do not apply to children of (i) proprietary directors or (ii) self-employed individuals in certain circumstances - see paragraph 2.2.

## 2.2 Exception for a child of a proprietary director or a self-employed individual

Where certain conditions are met, the Employee Tax Credit may be granted against the tax due on emoluments paid (i) to the *child of a proprietary director of a company, (ii) to the child of a self-employed individual and (iii) to the *child of a partner in a partnership where the emoluments are paid by the partnership. The conditions are:

a) (i) the child is a "specified employed contributor" (see paragraph 2.3) or

(ii) the employer complies with the requirements of the PAYE system and deducts tax on the emoluments paid to the child for the year of assessment,

b) the terms of the employment are such as to constitute a full-time employment and the child actually engages in the employment on a full-time basis, and

c) the emoluments from the employment in the year of assessment must be not less than €4,572.

Students and others employed on a part-time or temporary basis do not qualify for the credit.

***Note:** The credit is not, of course, due if the child is a proprietary director of a company or a partner in a partnership.

## 2.3 Specified Employed Contributor

A specified employed contributor means an individual who is an employed contributor for the purposes of the Social Welfare Consolidation Act 2005, but does not include the following:

(i) an individual who is insurable for occupational injuries purposes only,

(ii) a civil servant or a member of the Garda Síochána or the Defence Forces, and

(iii) certain public servants who were appointed prior to 5 April 1995 and who pay modified PRSI rates.

# 3 Social Welfare Pensions

## 3.1 Irish social welfare pensions

An Irish social welfare pension qualifies for the Employee Tax Credit even though the PAYE system of tax deduction is not directly applied to the pension.

To note, where an individual in receipt of a social welfare pension has an increase to the pension for a 'qualifying adult dependent', only one Employee Tax Credit is due against the total pension – see section 126(2B) TCA 1997.

Additionally, only one Employee Tax Credit is due for all other similar "qualifying" adult/children payments under the Social Welfare Acts.

## 3.2 Social welfare pensions from other EU Member States or from the United Kingdom

Irish residents receiving a social welfare pension from another EU Member State or from the United Kingdom may claim the Employee Tax Credit, even though a system similar to the PAYE system of tax deduction may not have been applied to the pension.

## 3.3 Social welfare pensions from non 'EU Member' States

Social welfare or equivalent pensions from non 'EU Member' States (excluding the United Kingdom) will only qualify for the Employee Tax Credit if the pension:

(a) is chargeable to tax in the country in which it arises and is subject to a tax deduction system similar in form to the PAYE system which is provided for in Chapter 4 of Part 42 TCA 1997,

(b) is chargeable to tax in full in this State under Schedule D (self-assessment), and

(c) would be considered emoluments if the office or employment was held or exercised in this State and the person making the payment was resident in this State.

# 4 Foreign Occupational Pensions

Where a foreign pension is chargeable to tax in the State by virtue of a Double Taxation Agreement, the Employee Tax Credit may be granted. Where however, there is no Double Taxation Agreement in place between this State and the country that pays the pension, then the conditions in (a) to (c) in paragraph 3.3 above must be satisfied before the credit can be granted.

# 5 Cross-frontier Workers

Under section 472(3) TCA 1997, Irish residents can also claim the Employee Tax Credit in respect of the tax due on profits or gains from an office or employment held or exercised outside the State if the profits or gains from that office or employment:

(a) are chargeable to tax in the country in which they arise and are subject to a tax deduction system similar in form to the PAYE system which is provided for in Chapter 4 of Part 42 TCA 1997,

(b) are chargeable to tax in full in this State under Schedule D (self-assessment), and

(c) would be considered emoluments if the office or employment was held or exercised in this State and the person making the payment was resident in this State.

# 6 Staff of Foreign Embassies in Ireland

Where the salary/wages of a foreign embassy employee working in the State (generally non-diplomatic staff) are chargeable to tax in the State, by virtue of his or her employment being exercised here, such an employee is due the Employee Tax Credit against the tax paid on his or her emoluments, even though the PAYE system of tax deduction may not have been applied to the salary.