

# Domestic Employers and the taxation of Domestic Employees

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## Introduction

Under section 986(6) of the Taxes Consolidation Act 1997, certain qualifying employers known as 'domestic employers' are removed from the obligation to register as an employer.

The main aim of section 986(6) is to reduce the administrative burden for an individual who employs someone on domestic duties for a few hours a week and who, but for this provision, would have to register as an employer for PAYE purposes.

An individual who is required to register as an employer in respect of non-domestic employees is entitled to avail of this scheme in relation to a "domestic employee".

### 1. Details of the Domestic Employment Scheme

The effect of the scheme is that qualifying domestic employers do not operate PAYE/USC or deduct tax in any other way from a domestic employee's pay. See Paragraph 2 regarding PRSI.

A qualifying "**domestic employer**" is one who:

- ◆ is an **individual** (organisations, companies, clubs etc. do not qualify),
- ◆ has only **one domestic employee** who is employed solely on domestic duties in the home, and
- ◆ pays **less than €40 a week** to that employee.

A "**domestic employee**" is a person e.g. an Au Pair, who is employed by a domestic employer solely on domestic duties (including the minding of children) in the employer's private dwelling house. The employee may have other employment with a different employer.

An employer who:

- ◆ pays €40 or more a week to a domestic employee, or
- ◆ has more than one domestic employee concurrently,

must register as an employer and operate PAYE/PRSI/USC [Pay As You Earn/Pay Related Social Insurance/Universal Social Charge] in the normal way.

For the tax years up to and including the year 2018, a registration limit continues to apply to all other employers i.e. they must register for PAYE/PRSI purposes if they pay:

- ◆ €8 a week (€36 a month) or more, to an employee who has only one employment, or

- ◆ €2 a week (€9 a month) or more, to any other employee.

From the year 2019 onwards, there is no minimum registration limit for all other employers. Employers, other than domestic employers, must register as an employer and deduct Income Tax/USC/PRSI as appropriate under the PAYE system on the making of a payment of emoluments to employees.

## 2. Employer PRSI

Although the domestic employer is not required to register as an employer, he or she is liable to pay employer's PRSI at the rate of 0.5% (Class J) where the weekly earnings of the domestic employee are below €38. This contribution covers Occupational Injuries Benefit only.

In this connection, the form to enable the domestic employer to register with the Department of Social Protection (DSP) is available at Appendix 1. This form should be submitted at the commencement of the employment.

PRSI is payable by the employer in a single sum at the end of the tax year to the Special Collection Section, Department of Social Protection, Government Offices, Cork Road, Waterford. The form to be returned to DSP along with the payment of PRSI at the end of the year is available at Appendix 2.

## 3. Taxation of Domestic Employee

The income from the domestic employment:

- ◆ is chargeable to income tax and USC, and
- ◆ qualifies for the Employee tax credit.

The collection of tax due, if any, will depend on the circumstances of each case. It is expected that the income of most domestic employees will be less than their tax credits or under the exemption limit appropriate to them.

In the case of married persons and civil partnerships, where aggregation applies and one spouse's or civil partner's only income is from a domestic employment, any tax due should be collected by restriction of the other spouse's or civil partner's tax credits.

If the domestic employee has concurrent non-domestic employment, the tax due should be collected by way of restriction of tax credits due against the non-domestic employment.

Where a domestic employee (or his or her spouse or civil partner where jointly assessed) claims a refund of tax, the pay from the domestic employment should be taken into account.

Where an individual ceases to be employed as a domestic employee and takes up other employment, the figure of pay supplied by that individual in relation to the domestic employment should be accepted for the purposes of issuing a tax credit certificate to the new (non-domestic) employer.

#### 4. Bonus Payments

If a bonus payment increases the employee's pay to €40 or more in a particular week, the domestic employer can continue within the scheme provided:

- ◆ the bonus is reasonable and in line with the normal weekly wage, and
- ◆ no more than 2 bonuses are paid each year.

The question as to whether a bonus is reasonable and in line with the normal weekly wage is to be decided by the circumstances of each case where it arises.

## Appendix 1

### **Domestic Employer Scheme Registration Form**

#### **Employment Details**

Employer Registered Number (if any) \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone Number \_\_\_\_\_

Duties of Employee \_\_\_\_\_  
(e.g. housework, child minding etc.)

Date employment commenced: \_\_\_\_\_

Weekly pay € \_\_\_\_\_

#### **Employee's Details**

Name \_\_\_\_\_

Address \_\_\_\_\_

PPS No \_\_\_\_\_

#### **Declaration**

I declare that the employment details supplied by me in this application are true in every respect and that the employee details are as supplied by him or her.

Signature of Employer \_\_\_\_\_

Date: \_\_\_\_\_

#### **Send this completed registration form to:**

Special Collection Section  
Department of Social Protection  
Government Offices  
Cork Road  
Waterford  
X91 EHO4

## Appendix 2

### Domestic Employer - PRSI Calculation and Payment at End-of-Year

Domestic Employer's Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Name of Employee \_\_\_\_\_

Employee's PPS Number \_\_\_\_\_

Date Employee Commenced \_\_\_/\_\_\_/\_\_\_ Date Employee Ceased \_\_\_/\_\_\_/\_\_\_

Amount Paid in Year Ended 31 December \_\_\_\_\_

Calculate PRSI due as follows

Pay is less than €40 per week:

Pay € \_\_\_\_\_ x 0.5% = € \_\_\_\_\_

Signature of Employer \_\_\_\_\_

Date \_\_\_ / \_\_\_ / \_\_\_\_\_

**Pay by cheque:**

**Attach a cheque to this form and send the form and cheque to-**

Accountant  
Department of Social Protection  
Government Buildings  
St. Alphonsus Road  
Dundalk  
Co. Louth

**Pay by ebanking:**

Make the Payment to: Bank of Ireland, 2 College Green, Dublin 2  
Name of account: Social Insurance Fund No 1  
Sort Code: 90-00-17 Account number: 75239841  
BIC: BOFIE2D IBAN: IE03 BOFI 9000 1775 2398 41  
Reference: "SPC" and identify company by employer number or name

**And**

**Send a copy of this form to:**

Special Collection Section  
Department of Social Protection  
Government Offices  
Cork Road  
Waterford  
X91 EHO4