

## Non-Residents and Tax Credits

### Part 45-01-01

Section 1032 Taxes Consolidation Act 1997

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## Introduction

In general, non-resident individuals are not entitled to any of the normal personal credits, reliefs and deductions (as set out in the table to **section 458**). However, in certain circumstances, a portion of the credits, reliefs or deductions are available under section 1032 of the Taxes Consolidation Act 1997.

Where an individual, not resident in the State proves that he or she –

- is an Irish citizen,
- is non-resident for health reasons (this includes the health of a family member resident with him/her),
- is a citizen, subject or national of another EU Member State or exempt under section 10 of the Aliens Act 1935, or
- was a British citizen before 5 April 1935,

then he or she is entitled to a portion of the personal credits, reliefs or deductions. The portion is determined by the ratio of Irish source income to total income of the individual.

### Example 1

John is an Irish citizen and is resident in Germany for 2018. He is in receipt of Irish rental income of €12,000. His worldwide income for 2018 is €40,000. This includes his Irish income.

John's tax credits are apportioned as follows:

$$\text{€1,650} \times \frac{\text{€12,000}}{\text{€40,000}} = \text{€495}$$

John's liability to Irish tax is as follows:

$$\begin{array}{r} \text{€12,000} \times 20\% = \text{€2,400} \\ \text{Less Credits} = \text{€495} \\ \text{Liability} \quad \quad \text{€1,905} \end{array}$$

Section 1032(3) provides that a non-resident individual -

- who is resident of another Member State of the European Union, and
- whose Irish taxable income comprises 75% or more of his/her total income from all sources including income which is not subject to Irish tax (i.e. worldwide income),

is entitled, **without any apportionment**, to personal credits, reliefs and deductions.

### Example 2

Paul is an Irish citizen and is resident in Germany. He has worldwide income of €40,000 for 2018 i.e. Irish rental income of €32,000 and German income of €8,000. His liability is as follows:

Irish income	€32,000
German income	<u>€ 8,000</u>
Total worldwide income	€40,000 X 75% = €30,000

As Paul's Irish income is greater than 75% of his total worldwide income, he is entitled to full personal credits, reliefs and deductions for 2018.

Irish income	€32,000 X 20% = €6,400
Less Credits	= <u>€1,650</u>
Liability	€4,750