

VAT treatment of staff secondments

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Introduction

This guidance sets out the VAT treatment of staff secondments and Revenue's concession on certain staff secondments to companies established in the State from related foreign companies.

Information on the VAT treatment of Employment Agencies is dealt with separately on the Revenue website: [Employment Agencies](#).

1. VAT treatment of staff secondments

Generally, the provision of staff is taxable at the [standard rate](#) of VAT, including staff secondments.

However, Revenue is prepared to sanction a concessionary treatment for certain secondments as detailed below.

2. Revenue's concessionary treatment of certain secondments

Normally, VAT is chargeable at the standard rate where a non established company sends staff on secondment to an Irish-established company and the staff remain employees of the former company. This applies even where both companies are connected and members of an international group.

However, Revenue is prepared to sanction a concessionary treatment of certain secondments.¹ Generally, the concession operates so that no VAT is charged on emoluments paid to the seconded staff under certain conditions.

This concessionary treatment only applies in the case where the staff:

- are from a company not established in the State
 - are seconded to an Irish-established company or to an Irish branch of the foreign company,
- and
- where the companies concerned are members of a group of companies.

For the purpose of this concession, two companies will be treated as members of a group of companies if one company is a 51% subsidiary of the other company, or both companies are 51% subsidiaries of a third company.

Whether a company is a 51% subsidiary of another company will be determined, as it is for corporation tax purposes, under Section 9 of the Taxes Consolidation Act 1997.

¹ With effect from 1 January 2007

If the conditions above are met, the concession may apply where:

- a. during the period of secondment, the company or branch to which the employee is seconded exercises day to day control over the allocation and performance of the employee's duties,

or

- b. that employee effectively has managerial responsibility for the operation of that company / branch,

and

- c. the PAYE, PRSI (both employer and employee) and USC liabilities relating to the emoluments paid to the employee in respect of work done in that period are discharged correctly and on a timely basis, whether by the employer company, the company or branch to which the employee is seconded or any other person,

then, to the extent that the emoluments mentioned in paragraph c above form the consideration, or part of the consideration, for the secondment of the employee to the company or branch, they shall be disregarded in determining the value for VAT purposes of seconding the employee.

If the company sending the employee does not charge in excess of the emoluments paid then no VAT liability will arise.

Any excess will be liable to VAT on the reverse charge basis in the hands of the company engaging the employee.

The concession does not apply where PAYE, PRSI (employer and/or employee) and/or USC liabilities do not arise as a result of the secondment.