Report of the Office of the Revenue Commissioners

Analysis of the Special Assignee Relief Programme 2017

1. General

The 2012 Finance Act introduced section 825C to the Taxes Consolidation Act 1997. This section, as amended, provides income tax relief for certain individuals assigned[1] during any of the tax years 2012 to 2020[2] to work in the State. The relief is commonly known as SARP (Special Assignee Relief Programme).

The aim of the relief is to reduce the cost to employers of assigning skilled individuals in their companies from abroad to take up positions in the Irish-based operations of their employer or an associated company, thereby facilitating the creation of jobs and the development and expansion of businesses in Ireland.

SARP provides for relief from income tax on 30% of salary, subject to an upper income threshold, where applicable (see Annex 2).

There is no exemption from USC and PRSI is payable where the individual is not liable to social insurance contributions in their home country. School fees of up to €5,000 per annum and expenses incurred on one trip home per year, where they are paid for by the employer, are not subject to tax.

A brief summary of the conditions to be satisfied in order to qualify for SARP is included in **Annex 1. Annex 2** contains a brief note on the operation of the relief.

2. Outturn for 2017

This report covers the uptake and cost of SARP in respect of the tax year 2017, based on relevant returns received by the Revenue Commissioners as at 31 March 2019. Details are set out in **Annex 3**, including comparison with the tax years 2012 to 2016.

The relevant returns are the SARP 1A Form, which is completed in respect of each SARP employee claiming the relief, and the Annual Employer SARP Return.

September 2019

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[1] Employees may either be assigned to work for their employer or employed by an associated company of their employer.

[2] Section 15 of Finance Act 2014 extended the relief to include individuals assigned to work in the State during any of the tax years 2015, 2016 and 2017. A number of enhancements were made for those years, including the removal of the upper income threshold of €500,000. Section 10 of Finance Act 2016 further extended the relief to the tax year 2020. Section 15 of Finance Act 2018 inserted an upper income threshold of €1 million.

ANNEX 1

Conditions for relief

The relief can be claimed by an individual who:

(a) arrives in the State in any of the tax years 2012 to 2020, at the request of his or her relevant employer to perform duties of his or her employment for that employer or to take up employment in the State with an associated company of that employer and to perform duties for that company. A relevant employer is a company that is incorporated and tax resident in a country with which the State has a double taxation agreement or a tax information exchange agreement;

(b) immediately before being assigned to work in the State, worked outside the State for a minimum period of 6 months[3] for the relevant employer who assigned him or her to work in the State;

(c) performs duties referred to in (a) above for a minimum period of 12 consecutive months from the date he or she takes up residence in the State;

(d) was not tax resident in the State for the 5 tax years immediately preceding the year of his or her arrival in the State to take up employment;

(e) for each of the tax years in respect of which relief is claimed, was tax resident in the State[4];

(f) earns a minimum basic salary of €75,000 per annum excluding all bonuses, commissions or other similar payments, benefits, or share based remuneration.

Comprehensive guidance notes on SARP can be found on the Revenue website in the Tax and Duty Manual 34-00-10.

[3] In the case of an individual arriving in the State in tax years 2012, 2013 or 2014, a minimum period of 12 months applied.
[4] For the tax years 2012, 2013 and 2014, the individual could not be tax resident elsewhere.

ANNEX 2

Operation of SARP

€75,000 thresholds
For clarification, there are two separate and distinct €75,000 thresholds that must be considered for SARP -

(a) the €75,000 threshold for the purposes of determining eligibility for the relief; and

(b) the €75,000 threshold used in calculating the tax relief.

Eligibility for relief
Before an individual is eligible to claim the relief, he or she must earn "relevant income" of not less than €75,000 per annum. This means that his or her basic salary before benefits, bonuses, commissions, share based remuneration, etc. must not be less than €75,000.

Calculating the relief
The tax relief is granted by calculating what is known as the "specified amount" and relieving that specified amount from the charge to income tax. The specified amount is determined by reference to the following formula -

> Formula: (A-B) x 30%
>
> where -
>
> A: is the amount of the relevant employee's income, profits or gains from his or her employment in the State with a relevant employer or associated company, excluding expenses and amounts not assessed to tax in the State and net of any superannuation contributions. In addition, where the relevant employee is entitled to double taxation relief in relation to part of the income, profits or gains from the employment, that part of the income is also excluded from 'A', and
>
> B: is €75,000.

The specified amount is 30% of the individual's income that exceeds €75,000, subject to the application of an upper income threshold, where applicable.

For the tax years 2012, 2013 and 2014, SARP provides for relief from income tax on 30% of salary between €75,000 and €500,000 (the upper income threshold).

For the tax years 2015 to 2018, the upper income threshold of €500,000 was abolished. Thus, in this instance the specified amount is 30% of the individual's salary that exceeds €75,000.

ANNEX 2 (continued)

Finance Act 2018 reinstated an upper income threshold, which is set at €1 million, and applicable when calculating the specified amount in respect of new claimants [5] for the 2019 tax year and for all claimants for the tax year 2020.

The specified amount is exempt from income tax but is not exempt from USC. In addition, the specified amount is not exempt from PRSI unless the employee is relieved from paying Irish PRSI under either an EU Regulation or under a bilateral agreement with another jurisdiction.

For the purposes of calculating ‘A’ in the definition of specified amount, all income from the employment is included (e.g. bonuses, commission or other similar payments, benefits in kind and share based remuneration). However, as noted above, any amount on which relief for pension contributions has been obtained is excluded as are amounts paid in respect of expenses. In addition, where an individual is entitled to double taxation relief for foreign tax, that part of the income on which such relief is claimed should be excluded in calculating the specified amount.

[5] A new claimant refers to an employee who first arrives in the State on or after 1 January 2019 to perform his or her employment duties in the State.

ANNEX 3

Table 1: Increase in number of employees, as reported by employers, as a result of the operation of SARP

Increase in number of employees per year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
6	49	126	591	477	383

Table 2: Number of employees retained, as reported by employers, as a result of the operation of SARP

Number of employees retained per year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
6	215	708	603	607	839

Table 3: Cost of SARP [6]

Tax cost of SARP per year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
€0.1 million	€1.9 million	€5.9 million	€9.5 million	€18.1 million	€28.1 million

Table 4: Number of employees within various salary bands whose employer made a SARP return

		Number of employees per year					
		2012	**2013**	**2014**	**2015**	**2016**	**2017**
Salary Range	**€75,000 to €150,000**	-	35	88	224	359	453
	€150,001 to €225,000	-	36	79	155	160	215
	€225,001 to €300,000	-	28	63	81	79	155
	€300,001 to €375,000	-	12	29	34	56	80
	€375,001 to €675,000	-	10	33	62	95	114
	€675,001 to €1,000,000	-	-	8	22	26	36
	€1,000,001 to €3,000,000	-	-	2	8	14	23
	€3,000,001 and above	-	-	-	-	4	8
Total		**11**[7]	**121**	**302**	**586**	**793**	**1,084**

[6] The cost is calculated based on employer returns submitted to Revenue and therefore represents the maximum cost of all reported individuals to whom the relief is available.
[7] In the interests of taxpayer confidentiality, a breakdown is not supplied in respect of the 2012 statistics.

ANNEX 3 (continued)

Table 5: Sector of employer who made a SARP return

Sector	*Number of employees per year*					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
IT	-	36	79	167	224	305
Financial Services	-	31	101	168	179	182
Pharma & Medical	-	17	35	50	130	157
Consumer Industrial Products & Services	-	13	9	69	104	148
Other Services	-	13	26	72	130	226
Other	-	11	52	60	26	66
Total	**11**[8]	**121**	**302**	**586**	**793**	**1,084**

[8] In the interests of taxpayer confidentiality, a breakdown is not supplied in respect of the 2012 statistics.