

Chapter 10 - The provision of staff awards

Part 05-01-01j

This manual should be read in conjunction with section 112 of the Taxes Consolidation Act 1997

Document created July 2021



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A more recent version of this manual is available.

1 Introduction

This manual sets out the tax treatment applicable where an employer makes certain awards to his or her employees.

Generally, where an employer gives an award to an employee it is chargeable to PAYE, PRSI and USC. In determining the amount that is chargeable it is necessary to consider the cost incurred by the employer in providing the award and the market value of the award. See [Tax and Duty Manual Part 05-01-01a](#) for further guidance on how to value such awards.

There are however some specific circumstances in which an award may be given to an employee without giving rise to a charge to tax.

In addition, where an award or incentive meets the criteria set out in section 112B of the Taxes Consolidation Act 1997 (TCA 1997) it will qualify for the small benefit exemption and may therefore be given without a charge to tax arising. See [Tax and Duty Manual Part 05-01-01e](#) for further details on the small benefit exemption.

2 Taxable Awards

2.1 Staff Suggestion Scheme Awards

Awards made to an employee under staff suggestion schemes are generally taxable and an employer must operate PAYE, PRSI and USC on the value of the award. The value of the award must be calculated in line with the rules set out in [Tax and Duty Manual Part 05-01-01a](#).

Where the award meets the criteria for the small benefit exemption it will not give rise to a tax charge - see [Tax and Duty Manual Part 05-01-01e](#) for further details on the small benefit exemption.

2.2 Exceptional Performance Awards

If an employer has a scheme in place to reward exceptional performance, any awards received under such schemes are generally taxable and an employer must operate PAYE, PRSI and USC on the value of the award. The value of the award must be calculated in line with the rules set out in [Tax and Duty Manual Part 05-01-01a](#).

Again, where the award meets the criteria for the small benefit exemption it will not give rise to a taxable benefit.

3 Examination Awards

Reimbursement by an employer of course or exam fees paid by an employee, or direct payment of course or exam fees by an employer on behalf of an employee, are not regarded as a taxable benefit if the course undertaken is relevant to the business of the employer.

A course is regarded as relevant to the business of an employer where it leads to the acquisition of knowledge or skills which are:

- necessary for the duties of the employment, or
- directly related to increasing the effectiveness of the performance of the present or prospective duties of the office or employment.

A cash award made to an employee in recognition of passing an examination or acquiring a qualification, which bears some relationship to his or her duties, is not taxable provided that the award is of such an amount that can reasonably be regarded as a reimbursement of expenses likely to have been incurred in studying for and sitting the examination.

Special increments of salary awarded on passing an examination are however chargeable, as part of the employee's remuneration in the ordinary way.

4 Long Service Awards

Where awards are made to employees, as testimonials to mark long service, such awards are normally taxable unless the criteria for the small benefit exemption, as set out in [Tax and Duty Manual Part 05-01-01e](#) are met.

Where, however, an award takes the form of tangible articles of reasonable cost (e.g. a clock), a charge to tax will not arise provided that:

- the cost to the employer does not exceed a maximum of €50 for each year of service,
- the award is made in respect of a period of service of not less than 20 years, and
- no similar award has been made to the recipient within the previous 5 years.

It should be noted that this concession:

- applies to directors as well as other employees, and
- does not apply to awards made in cash or vouchers (i.e. it applies to tangible items only).

Where any of the qualifying conditions are not met, PAYE, PRSI and USC must be applied on the full amount of the award.

Example 1

Charlie has 30 years' service with his employer. His employer wishes to acknowledge this service and presents him with a watch valued at €1,200.

Charlie can receive a benefit with a maximum value of €1,500 due to the number of years' service with this employer (€50 x 30 years of service). As the value of the watch does not exceed €1,500, Charlie's employer does not need to apply PAYE, PRSI and USC on the value of the award.

Example 2

Regina has 21 years' service with her employer. Her employer wishes to acknowledge this service and considers presenting her with artwork valued at €2,500.

Regina can receive a benefit with a maximum value of €1,050 due to the number of years' service with this employer (€50 x 21 years of service). As the value of the artwork exceeds €1,050, her employer would need to apply PAYE, PRSI and USC on the full value of the artwork if awarded.

Example 3

Thomas has 30 years' service with his employer. His employer wishes to acknowledge this service and considers presenting him with a holiday voucher valued at €750.

Thomas can receive a benefit with a maximum value of €1,500 due to the number of years' service with this employer (€50 x 30 years of service), however even though the value of the benefit does not exceed €1,500 Thomas' employer would still need to apply PAYE, PRSI and USC on the full value of the voucher if awarded as the award is not a tangible item.

4.1 Multiple Awards Over Career

An employer may decide to award an employee more than one award over the course of a career – for example, after 25 and 40 years. Such awards should be examined separately for the purpose of:

- determining if the exemption is due, and
- calculating the concessional reasonable cost figure.

Long service awards cannot be made within five years of each other. Any obvious abuse of the concession, such as an unusual frequency of awards to an individual, will lead to its withdrawal of the concessional treatment and tax being applied in full to the awards made.

Example 4

Peter has 21 years' service with his employer. His employer wishes to acknowledge this service and presents him with a clock valued at €1,000.

Peter can receive a benefit with a maximum value of €1,050 due to the number of years' service with this employer (€50 x 21 years of service). As the value of the clock does not exceed €1,050, his employer does not need to apply PAYE, PRSI and USC on the value of the award.

Peter gets a further award of crystal after forty years' service valued at €1,750. After 40 years' service, Peter can receive a benefit with a maximum value of €2,000 (€50 x 40 years of service).

As the second award was given more than five years after the first award, and the value of the second award does not exceed €2,000, his employer does not need to apply PAYE, PRSI and USC on the value of this award either.