

Agency Workers

Part 05-01-15

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1 Taxation of individuals employed through agencies

1.1 Background

There can be a perception that workers employed through an employment agency are not regarded as employees for taxation purposes. Revenue does not regard the taxation of workers employed through agencies any differently to the taxation of workers employed by any other means. Over the years, PAYE/PRSI/USC has been operated by agencies where the agencies are obliged to pay the person placed with a client. In contrast, PAYE/PRSI/USC has been operated by the client where the client is obliged to make the payment to the person placed with them.

1.2 Employee/Self-Employed

Where there is doubt or disagreement as to the status of an agency worker, it will be necessary to consider the circumstances of each case separately.

The Code of Practice on Determining Employment Status (the Code) was updated in 2021 by an interdepartmental working group comprising the Department of Social Protection, Revenue and the Workplace Relations Commission (WRC).

Following the Supreme Court judgement in the Karshan (Midlands) Ltd t/a Domino's Pizza case [2023] IESC 24, the Code is currently being updated. Revenue are working with colleagues in the Department of Social Protection and the Workplace Relations Commission to update the content in the Code to reflect the judgement, which is available on the Court Service [website](#).

Following the issuing of the judgement, Revenue issued a press release, which is available on the Revenue [website](#). Separately to the updating of the Code, Revenue will shortly issue guidelines on the judgement and its impact on the employment status of individuals for tax purposes.

The written terms of the employment contract will need to be considered including any oral, implied or inferred terms (the written terms may not necessarily describe the full relationship between the parties) and any other relevant information deemed necessary to assist in forming an opinion as to the status of the agency worker.

2 Operation of PAYE

Where the agency worker is regarded as an employed person, there can be a perception that there is difficulty in determining who the employer is for the purpose of deducting income tax/PRSI/USC. The PAYE system has always recognised the uniqueness of a "paying employer", who may not be an employer in the strict sense. For example, a pensioner can be an "employee"

and the body paying the pension can be an “employer” for the purpose of operating the PAYE system.

Chapter 4, Part 42 of the Taxes Consolidation Act (TCA) 1997 and the Income Tax (Employments) Regulations 2018 deal with the administration of the PAYE system. Section 983 TCA 1997 contains the following definitions:

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- **Employer** means any person paying emoluments
- **Employee** means any person in receipt of emoluments
- **Emoluments** means anything assessable to income tax under Schedule E, and references to payments of emoluments include references to payments on account of emoluments.

Therefore, the person who is contractually obliged to make the payment to an employed agency worker is the employer for the purpose of collecting income tax, USC and PRSI through the PAYE system.

The VAT treatment of employment agencies is dealt with in Revenue's Tax and Duty Manual [VAT treatment of Employment Agencies](#)