

## **Allowances, Expenses and Gratuities payable to Local Authority Chairpersons and Members**

### **Part 05-02-14**

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## 1. Introduction

This instruction sets out the taxation treatment of the various allowances, expenses and gratuities payable to local authority members.

New Regulations have been given effect concerning the remuneration and expenses allowances of elected members of local authorities. The Regulations are as follows:

- Local Government (Remuneration of Local Authority Members) Regulations 2021 (S.I. No. 312 of 2021)
- Local Government (Expenses of Local Authority members) Regulations 2021 (S.I. No. 313 of 2021)

These new Regulations are effective from 1 July 2021 unless otherwise stated.

The various payments are as follows:

- The special allowance payable to the Cathaoirleach and Leas-Chathaoirleach of each local authority (see [paragraph 2](#)).
- The representational payment payable to all local authority members (see [paragraph 3](#)).
- The Municipal District Member's Allowance payable to elected members in the local authorities that are sub-divided into municipal districts (see [paragraph 4](#)).
- Expense allowances payable to all local authority members including the Cathaoirleach and Leas-Chathaoirleach (see [paragraph 5](#)).
- The superannuation gratuity payable to all local authority members (see [paragraph 6](#)).

## 2. Allowance payable to Cathaoirligh and Leas-Chathaoirligh

### 2.1. Background

The Cathaoirligh and Leas-Chathaoirligh are elected by a vote of the local authority members at every annual meeting and hold office for a term of one year. A person may be re-elected for a successive term.

Under the provisions of section 143 of the Local Government Act 2001, a local authority may pay an allowance for reasonable expenses to its Cathaoirleach and Leas-Chathaoirleach. Because each local authority can set the level of payment itself the amounts vary from one local authority to another. The amounts payable are in addition to the normal expenses due to such individuals in their capacity as local authority members.

A more recent version of this manual is available.

## 2.2. Tax treatment of such allowances

The allowance to the Cathaoirleach and Leas-Chathaoirleach is paid on a round sum basis to cover reasonable expenses incurred in the performance of the duties of the office. The tax treatment of such unvouched expenses is that the payment should be included as pay and subjected to PAYE, PRSI and USC.

Given the unique nature of the duties involved, it is accepted that the Cathaoirleach and Leas-Chathaoirleach would, in performing the duties of their office, incur a certain amount of expenditure that would be deductible for tax purposes. Thus, for ease of administration and efficiency, it may be accepted that 50% of the allowance (subject to a fixed annual minimum amount of €5,000 and an annual maximum of €10,000) may be paid tax-free with the balance being subjected to PAYE, PRSI and USC. See table below for worked examples:

<b>Allowance Payable</b>	<b>50%</b>	<b>Fixed Minimum</b>	<b>Restriction</b>	<b>Payable tax-free</b>	<b>Taxable</b>
€5,000 or less	€2,500	€5,000	N/A	Up to €5,000	Nil
€6,000	€3,000	€5,000	N/A	€5,000	€1,000
€7,000	€3,500	€5,000	N/A	€5,000	€2,000
€8,000	€4,000	€5,000	N/A	€5,000	€3,000
€9,000	€4,500	€5,000	N/A	€5,000	€4,000
€10,000	€5,000	€5,000	N/A	€5,000	€5,000
€12,000	€6,000	N/A	N/A	€6,000	€6,000
€15,000	€7,500	N/A	N/A	€7,500	€7,500
€20,000	€10,000	N/A	N/A	€10,000	€10,000
€22,000	€11,000	N/A	€10,000	€10,000	€12,000
€30,000	€15,000	N/A	€10,000	€10,000	€20,000
€40,000	€20,000	N/A	€10,000	€10,000	€30,000

This treatment does not affect in any way an individual's right under section 114 Taxes Consolidation Act (TCA) 1997 to claim a deduction for allowable expenses for tax purposes. Broadly, a deduction may be claimed for expenses which the holder of the office or employment is obliged to incur and defray out of those emoluments which are expended wholly, exclusively and necessarily in the performance of the duties of the office or employment.

An annual allowance not exceeding €6,000 may be paid to a Chairperson of a Strategic Policy Committee (SPC). This allowance will be fully taxable with effect from 1 January 2022.



## 2.3. Summary

The following summarises the position:

1. Each local authority determines the allowance, if any, to be paid to the Cathaoirleach and Leas-Chathaoirleach.
2. The local authority can pay 50% tax free (subject to a fixed minimum amount of €5,000 and a maximum of €10,000) – see examples in the table at [paragraph 2.2.](#)
3. Any balance in excess of the amount determined at (2) must be included as taxable pay and subject to PAYE, PRSI and USC in the normal way.

## 3. Representational Payment

The representational payment is a salary type payment that councillors receive. It is subject to PAYE, PRSI and USC.

The annual rates of Representational Payment for Councillors up to 30<sup>th</sup> June 2021 were as follows:

Rate of Payment from 01/07/13 to 31/03/17	Rate of Payment from 01/04/17 to 31/12/17	Rate of Payment from 01/01/18 to 30/09/18	Rate of Payment from 01/10/18 to 31/08/19	Rate of Payment from 01/09/19 to 30/09/20	Rate of Payment with effect from 01/10/20
€16,565	€16,645	€16,891	€17,060	€17,359	€17,706

With effect from 1 July 2021 the above sums were replaced with a single salary type remuneration payment of €25,788 per annum. This annual remuneration amount is linked to future adjustments under Government pay agreements to the pay of Local Authority 'Grade 4' operatives.

## 4. Municipal District Member's Allowance

With effect from 1 July 2021 elected members of local authorities with municipal district sub-structures will no longer receive an extra allowance of €1,000 per annum. The amount now forms part of the single salary type remuneration payment of €25,788 per annum.

## 5. Local Representative Allowance (LRA)

With effect from 1 July 2021 a compulsory vouched expense allowance, called the Local Representation Allowance (LRA), was introduced.

However, a transitional period applied from 1 July 2021 to 31 December 2021 whereby each member could choose, to continue receiving a monthly payment equivalent to the monthly payment for the fixed annual rate that applied prior to July 2021, instead of claiming the new LRA. This payment was worth either €2,286, €2,413, €2,540 or €2,667 per annum depending upon the indexed band of the local authority, see [Appendix 1](#). This payment could be made on an unvouched basis, for the transitional period. However, from 1 January 2022 members can only claim the LRA, which is a compulsory vouched expense allowance.

In addition to the representational payment to local authority members, including members who are also acting as Cathaoirleach or Leas Chathaoirleach, an amount of not more than €5,160 per annum (or €2,580 for the period 1 July 2021 to 31 December 2021) is payable to a member in respect of expenses which the member is obliged to incur in the performance of his or her duties as a member.

The LRA includes a petty cash element to offset against incidental expenses. This amounts to €80 per month or €960 per annum, against which members will not be required to show evidence of expenditure.

1. The allowable expenditure categories and documentation requirements of this vouched system are aligned with the arrangements in place for members of the Oireachtas. In addition to any expenses that are covered by the unvouched allowance, the categories of expense that may be claimed under the vouched allowance include:

- the purchase of home office equipment and furniture,
- the purchase of stationery,
- the hire of meeting rooms,
- web hosting,
- newsletter or leaflet printing and distribution,
- advertising in relation to their duties as an elected member,
- rent, rates, utilities or other charges for office accommodation,
- signage.

The following expenditure is **not** allowable under this vouched allowance:

- electoral expenses for election to political office or referenda,
- bank charges and interest,

- services purchased from a person who is on the payroll of a local authority, and
- expenses incurred which are covered by other allowances set out under these directions (mobile telephones, travel, etc.).

Further detail regarding allowable vouched expenditure is available in [Appendix 2](#) Schedule "A".

2. The annual mobile phone allowance is abolished from 1 July 2021. However, expenditure previously covered by this allowance is included as an eligible expenditure category under the new LRA.

Such expenses are regarded as:

- no more than reimbursing the members for overall costs incurred, and
- having been incurred wholly, exclusively and necessarily in the performance of the duties of the office held.

Accordingly, payments may be made by the local authorities in respect of such expenses without deduction of tax.

In the case of travel and subsistence expenses received by local authority members in respect of attendance at:

- conferences,
- seminars and similar events,
- training events, and
- certain meetings held outside the functional area of the Local Authority,

such expenditure may only be paid by a local authority without deduction of tax up to the prevailing Civil Service rates. Further information on travel and subsistence payments is available in the Tax and Duty Manual (TDM) [Part 05-01-06](#) - Tax Treatment of the Reimbursement of Expenses of Travel and Subsistence to Office Holders and Employees. Amounts paid in excess of these rates should be subject to PAYE, PRSI and USC.



**Please note the following with respect to specific expense claims:**

1. Where an expense has been paid to a local authority member without deduction of tax, he or she shall not be entitled to claim any further tax relief or deduction under the TCA in respect of the portion of expenditure already relieved.
2. Where expenses are claimed and granted in respect of a home office, this may affect a member's eligibility to Principal Private Residence Relief in respect of the sale of his or her home at a later date. For further information, see paragraph 3.11 of TDM [Part 19-07-03](#).

## 6. Superannuation Gratuity

Councillors may also receive a payment of a single service related retirement gratuity. The lump sum is calculated as 4/20 of the Representational Payment for each year of service since May 2000, up to a maximum of 20 years service. The gratuity is payable on a councillor's retirement whether voluntarily, through failure to be elected, death or ill health.

For tax purposes, the gratuity and any previous gratuity a former elected member may have received are aggregated and treated as being a single gratuity.

The gratuity amount is chargeable to tax under the provisions of section 123 Taxes Consolidation Act 1997. Under the provisions of section 201 and Schedule 3 Taxes Consolidation Act 1997, all or part of a payment to which section 123 applies may be relieved from Income Tax. See TDM [Part 05-05-19](#) for further information.

Where a previous gratuity payment was made the basic or increased exemption applicable to the current payment will be restricted by any relief granted previously.

The Universal Social Charge (USC) is applied at the marginal rate of USC to the taxable element of any gratuity payment.

There is a lifetime cap on exemptions utilised in respect of all gratuities received irrespective of the source of the gratuity. The lifetime ceiling is €200,000.

## Appendix 1

### Unvouched composite annual expenses allowances for Local Authority Members

Fixed Annual Rate	
Part I Local Authorities	€2,286 per annum
Part II Local Authorities	€2,413 per annum
Part III Local Authorities	€2,540 per annum
Part IV Local Authorities	€2,667 per annum

#### Part I Local Authorities

The councils of the counties of Carlow, Cavan, Kilkenny, Laois, Leitrim, Louth, Longford, Monaghan, Offaly, Roscommon, Sligo, Westmeath and Galway city.

#### Part II Local Authorities

The councils of the counties of Clare, Donegal, Galway, Kerry, Kildare, Mayo, Meath, Tipperary, Wexford, Wicklow, Limerick city and county, Waterford city and county and Cork city.

#### Part III Local Authorities

The councils of the counties of Dun Laoghaire-Rathdown, Fingal and South Dublin.

#### Part IV Local Authorities

The councils of the counties of Cork and Dublin city.

## Appendix 2

### Expenditure Categories for Vouched Annual Expenses

Extract from Directions issued by the Minister of State at the Department of Housing, Planning and Local Government with special responsibility for Housing and Urban Development in respect of expenses incurred by members of local authorities

“Schedule A”

Expenditure Categories for Vouched Annual Expenses

A more recent version of this manual is available.

Expenditure Categories	Allowable	Documentation
<p>1. Rent, rates and other such charges in relation to an office or offices</p>	<p>Guidance on the rent, rates and other such charges in relation to an office or offices is set out in Part 2 of this Appendix</p> <p>In summary rent, rates and other such charges are allowable on:</p> <p>An office premises, including a temporary/mobile office, that complies with the definition in Part 2</p> <p>The costs relating to the declared premises, apportioned as appropriate</p> <p>The cost of the mortgage interest or loan interest on the premises (no tax deduction can be claimed)</p> <p>The cost of rent paid on non-owner occupied premises used as a constituency office</p> <p>Proof that a cost was incurred for such premises</p> <p>Rental relating to the storage space for a mobile office</p>	<p>Declaration form completed to provide the following:</p> <p>Address of the constituency office(s) premises</p> <p>A statement of mortgage interest that was incurred for the stated premises apportioned for the relevant period from the lending agency</p> <p>A statement of the rent that was incurred for the stated premises apportioned for the relevant period from the rental company/owner to include applicable tax numbers</p> <p>Proof of payment of the amount applicable for the relevant period</p>

<p>2. Signage in respect of the office</p>	<p>The signage on any office Signage on a mobile office or vehicle (vehicle wrapping)</p> <p>Vehicle sign, graphics or car wrap for a Member's car</p> <p>Not Allowable Signage explicitly promoting a person's candidacy, Party's interests, or which solicits votes</p>	<p>The bills/invoices with the address of the premises or vehicle registration, details of the signage, date and amounts to be paid.</p> <p>A photograph of the sign should also be kept for examination.</p> <p>Proof of payment of the bill/invoice for the relevant period</p>
<p>3. Improvements to office accommodation</p>	<p>Office improvements include any enhancements to the office/offices and may include:</p> <p>Upgrading works</p> <p>Refurbishment, repairs and maintenance</p> <p>Painting and decorating</p> <p>Health and safety requirement works</p> <p>Telephone system improvements</p>	<p>The bills/invoices with the address of the premises where improvements were carried out, date and amounts to be paid</p> <p>Proof of payment of the bill/invoice for the relevant period</p> <p>If the office is shared with another person and/or used for other types of activities this must be declared and costs must be prorated on a reasonable basis</p>



<p>4. Utilities of an office or offices</p>	<p>Cost of bills/invoices apportioned to include only costs of utilities or services for the premises declared in the relevant periods.</p> <p>Allowable items may include:</p> <ul style="list-style-type: none"> <li>Electricity bills</li> <li>Heating bills</li> <li>Rates</li> <li>Refuse charges</li> <li>Water charges</li> <li>Alarm/security costs</li> <li>Language service such as translation, interpretation, disability [e.g. Braille] Bulk scanning services Bulk shredding</li> </ul> <p>HOME</p> <p>In the case of a home office, a prorated amount based upon the floor space of the office as a percentage of the total floor area of the dwelling subject to a maximum of 20% of total cost.</p> <p>Not Allowable</p> <p>Sundry items of refreshments which includes catering, tea, coffee, newspapers, water, etc</p> <p>Bank charges/interest</p>	<p>The bills/invoices with the address of the premises, date and amount due</p> <p>Proof of payment of the bill/invoice for the relevant period</p> <p>A statement of the costs of bills/invoices that were apportioned by including only costs incurred in the relevant period for the premises declared</p> <p>Direct debit payments of utility bills made after 1 July 2021 are allowable for the pro rata amount due for the relevant period</p> <p>If the office is shared with another person and/or used for other types of activities this must be declared and utility bills must be prorated on a reasonable basis</p> <p>Where an area of a Member's home is used as an office the household utility bills must be prorated on a reasonable basis</p>
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<p>5. Purchase or maintenance of home office furniture or equipment</p>	<p>Home office furniture and equipment normally required for the running of a home office</p> <p>Equipment can include cost of purchase, rental and maintenance of any office equipment including tablet PCs (such as iPads) and IT equipment (such as laptops)</p> <p>Charges levied by a local authority ICT section or ICT service provider for IT connection or support</p> <p>Not Allowable Televisions</p>	<p>The bills/invoices should specify the details of the purchase of the furniture and equipment that will indicate it is for home office use, date and amounts to be paid</p> <p>Proof of payment of the bill /invoice for the relevant period</p>
<p>6. Purchase of stationery</p>	<p>Stationery required for the performance of his or her duties as an elected member and public representative, including stamps, envelopes and pre-paid envelopes.</p>	<p>The bills/invoices should specify the details of the purchase of the stationery that will indicate it is for office use, date and amount paid.</p> <p>Proof of payment of the bill/invoice for the relevant period</p> <p>A sample of stationery should also be retained for examination</p>

<p>7. Insurance including for office accommodation equipment and public liability insurance</p>	<p>Insurance of the office accommodation and contents, equipment, public liability insurance, employer's liability insurance and other insurances related to a Members duties</p>	<p>Insurance apportioned for office, office equipment for the relevant period can include:</p> <p>A copy of the certificate of insurance with the purpose, date and payment to be made</p> <p>Insurance documentation for public liability, office accommodation and contents should specify the address of premises and the amount apportioned for the declared area</p> <p>Insurance for equipment should specify the insurance policy number and purpose of insurance</p>
<p>8. Cleaning of office accommodation</p>	<p>Cleaning of office premises declared by the Member in the performance of his or her duties as a Member</p>	<p>The bill/invoices for the services including date of service and address of the premises where the service was provided</p> <p>The bill/invoices for the cleaning materials (itemised) where the service was not under contract (e.g. cleaning products)</p> <p>A statement of all services and proof of payment signed by the contractor (if a long-term contract exists)</p> <p>The contractors PPS number or companies registration office number</p> <p>Proof of payment of the bill/invoice for the relevant period</p>

<p>9. Telephone calls</p>	<p><b>OFFICE</b> Members are not restricted in the number of office/mobile telephone lines listed for the allowance where the Member is the assigned bill holder/ payer</p> <p>The cost of line rental, telephone calls and mobile data made by the Member (or on behalf of the Member) in the performance of his or her duties as a Member</p> <p>SMS text messaging service</p> <p>Credit purchased for "Pay As You Go" phones is allowable provided the device is used solely for a Member's duties. Each such phone number must be publicly listed as a designated contact number for the Member.</p> <p><b>HOME</b> Home telephone to a maximum of 20% of the combined call, rental and internet connection costs</p>	<p>List of office/mobile telephone numbers assigned for the performance of the Member's duties for the relevant period. The. telephone bills/ "Pay As You Go" credit receipt that identify the assigned numbers for the performance of the Member's duties for the relevant period</p> <p>Invoices from the local authority ICT Unit for additional telephone services</p> <p>Proof of payment of the bill/ invoice for the relevant period</p> <p>Home telephone bills to identify that a maximum of 20% of the combined call, rental and internet connection costs are included</p>
<p>10. Web hosting and other related costs</p>	<p>Invoices for web hosting, web design and other related costs</p> <p>Invoices for any amounts charged by the ICT section of the service provider may be included pro rata for the relevant period</p>	<p>The bill/invoice with the date and amount of the service/ product must specify details to show it is for use in relation to duties as a Member</p> <p>Proof of payment of the bill/invoice for the relevant period</p>

<p>11. Hiring rooms for clinics or other meetings</p>	<p>The hire cost of rooms in any location or premises for the purpose of clinics or meetings with the general public in the performance of his/her functions as a Member</p> <p>Language service such as translation, interpretation, disability (such as Braille) are available under this category</p>	<p>The bill/invoice for the room hire including name, address and date of each event</p> <p>List of events to indicate that the purpose of room hire was for his/her functions as a member</p> <p>Proof of payment of the bill/invoice for the relevant period</p>
<p>12. Leaflet and newsletter printing and distribution</p>	<p>Printing of leaflets and newsletters for the performance of his or her functions as a Member that is not otherwise facilitated by the use of the printing facilities of the local authority</p> <p>Graphic design costs and services</p> <p>Transport and distribution of leaflets and newsletters for the performance of his or her functions as a member</p> <p>Not allowable Electoral expenses for election to political office or referenda are not allowable</p>	<p>The bill/invoice for the services including name, address and date of each publication or distribution</p> <p>Sample(s) to indicate that the content was for the performance of his or her functions as a member attached to each invoice</p> <p>Proof of payment of the bill/invoice for the relevant period</p>
<p>13. Advertising relating to the performance of his/her functions as a member</p>	<p>Advertising to publicise work as a Member or to publicise clinic times, dates, venues, etc</p> <p>All forms of media can be used including radio, web advertising, billboards, bus shelters, window</p>	<p>Copies of the advertisement and the publication in which it appears to indicate that the content was for the performance of his/her functions as a member</p> <p>Invoices for services including name, address, company office</p>



	<p>space and social media (excluding sponsorship, e.g. a golf tee)</p> <p>Content is limited to the Member's name, contact details, addresses, clinic times/title of the meeting, the venue, time and date</p> <p>Costs involved with the erection of posters</p> <p>If other public representatives appear in the advertisement, an amount of the cost of the advertisement, prorated on a reasonable basis, is allowable</p>	<p>registration number, charitable status number, where applicable</p> <p>Proof of payment of the invoice/bill, the dates on which the promotion occurred must be indicated on the invoice</p>
<p>14. Purchase of secretarial support, public relations and expert advice relevant to local government functions</p>	<p>Allowable</p> <p>Advertising for the service</p> <p>Required</p> <p>Costs involved with promoting, organising or assisting the carrying out of research or studies with respect to the local community or administrative area</p> <p>Two of more Members may jointly commission a person or persons to provide advice or undertake research and the costs are then apportioned</p> <p>Not Allowable</p> <p>Services purchased from a person or persons on a local authority payroll</p>	<p>Invoices for the services provided including name, address, PPS number, company office registration number, where applicable</p> <p>Proof of payment of expenses incurred by the Member</p>

## Part 2: Guidance on rent and other such charges in relation to an office or offices

### Definition of Premises

An “office” is a room or rooms used exclusively for or during the relevant period for the transaction of business in the performance of his/her business as a Member. Temporary use of a space adjacent to an office is not included. The principle of apportionment applies.

### Proof of payment of costs

Members must actually incur a cost (proof is required). If no mortgage interest/rent is paid, it does not incur a cost and is therefore not allowable. No imputed costs will be allowed.

### Mortgage Interest

The cost of mortgage interest paid only (or relevant proportion thereof) subject to a maximum of 20% of total mortgage interest cost. A Member may not claim a tax deduction in respect of, say, mortgage interest paid where claimed under the LRA.

### Rent

The cost of the rent paid in respect of non-owner occupied premises used as an office is allowable.

### Clarification of general terms Mortgage

In the context of the Allowance, mortgage means a loan made available by an institution regulated by the Financial Regulator used for the purchase, repair, development or improvement of the property used as a constituency office. A ‘mortgage’ does not, in this, context, include a loan secured on the constituency office where the proceeds of that loan were used for a purpose unrelated to the constituency office.

The cost of mortgage interest paid (or relevant proportion thereof) may be claimed as part of the Allowance. The cost of capital repayments may not be claimed.

### Apportionment

Where part of a building is used as a constituency office and part is not, the claim for mortgage interest, rates and other such charges under the Allowance may relate only to the proportion applicable to the constituency office.

### Cost incurred

The Member must actually incur a cost and such cost must be capable of being vouched or receipted. In other words, a Member cannot claim the Allowance in respect of what may be regarded or described as notional or deemed amounts.

#### Allowable Expenses - Non-owner occupied premises Rent

The cost of the rent paid in respect of non-owner occupied premises used as a constituency office may be claimed as part of the Allowance (subject, to the maximum of the overall allowance). The rental arrangements should be at 'arms length' with the rent payable not exceeding the general prevailing rent payable for such properties (see above as regards apportionment) and that the conditions are fair and reasonable. The payment by the Member must be capable of being vouched or receipted for compliance intervention purposes. Invoices and the receipt from the owner should include the address of the premises.

#### Allowable Expenses - Owner occupied premises

##### Premises

An "office" is a room or rooms used exclusively for or during the relevant period for the transaction of business in the performance of his or her duties as a Member.

An office can include

A member's office in the home

A member's office in a business

a member's office in a moving vehicle purchase costs, vehicle maintenance or insurance costs will not be allowable. Costs of insurance, office improvements, equipment etc are provided for under other headings.

##### No mortgage outstanding

Where a Member owns, or part owns, a property in respect of which no mortgage exists, no claim may be made under the Allowance. In addition, a charge may not be imputed (see clarifications above).

##### Mortgaged properties

Where a Member holds a mortgage (qualifying as above) on a property used, or partly used, as a constituency office, only that part of the mortgage interest paid by the Member, as apportioned (see clarifications above) and subject to the maximum allowance that may be claimed under the Allowance. There is no provision for including any nominal rent amount on an owner-occupied premises.

##### Example 1

Where a Member has a mortgage on the property and that Member uses the whole property as a constituency office, then the cost of the full amount of the mortgage interest paid may be claimed as part of the Allowance (subject, to the maximum allowance).

##### Example 2

Where a Member has a mortgage on the property and that Member uses 50% of property as a constituency office, then the 50% of the mortgage interest paid may be claimed as part of the Allowance (subject to the maximum allowance).

**Example 3**

Where a Member owns a constituency office outright whether as part of his residence or otherwise and is not paying rent or a mortgage no claim may be made.

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