

Income from scholarships

Part 07-01-26

This document should be read in conjunction with Section 193 of the Taxes Consolidation Act (TCA) 1997

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Introduction

This manual outlines the tax exemption available for scholarship income.

Section 193 TCA 1997 provides that income arising from a scholarship is exempt from income tax, USC and PRSI when certain conditions are satisfied. Furthermore, there is no income threshold applying to the exemption.

1. Scholarship exemption

The scholarship must be held by a person receiving full-time instruction at a university, college, school or other educational establishment. 'Scholarship' includes an exhibition, bursary or other similar educational endowment.

The object of the scholarship must be the promotion of the education of the holder rather than the promotion of research through the holder.

The exemption is confined to the holder of the scholarship.

2. Employer sponsored scholarships

For the scholarship exemption to apply, there must be no element of service (directly or indirectly) between the sponsor and the student. The award must not arise from an office or employment (directly or indirectly) with the sponsor.

Scholarships provided from a trust fund or scheme are exempt from income tax if, in the year of assessment in which the payment is made, not more than 25% of the total payments from the trust fund or scheme is attributable to 'relevant scholarships'.

Under Section 193 TCA 1997, a 'relevant scholarship' is a scholarship provided, either directly or indirectly, by a sponsor to an employee or director, or to a family member, dependant, member of the household, etc. of an employee or director.

Accordingly, a charge to tax under Schedule E on the employee or director shall arise in respect of income from an employer sponsored scholarship scheme unless at least 75% of the scholarship income disbursed under the scheme is to persons not connected with the provider of the scholarship.

3. Fellowships

Fellowships are generally regarded as being distinct from a scholarship. Students, for example post-doctoral students, who have a salaried position in order to provide research services are not considered to be under full time instruction. In such cases, the scholarship exemption does not apply, and income derived from the fellowship is taxable and subject to deductions (Income Tax, USC and PRSI as applicable) under the PAYE system.

PAYE must be operated by the payer, or the educational establishment in cases where the income is routed through the educational body facilitating the research.

4. Student declaration form

Students claiming the scholarship exemption should complete and sign the [Scholarship Exemption Declaration Form](#), available on the Revenue website. This completed form should be returned to the administration office in the college or university. Where the amount of the scholarship income increases during the term of the scholarship, the college or university should request a new scholarship exemption declaration form from each student to whom the increase applies. These records should be kept by the college or university for a period of six years and only need to be provided to Revenue on request.

5. Students on extended leave

Where a student is on a period of extended leave from their scholarship, he or she is not in a position to receive full time instruction, which is one of the requirements under the law for the exemption to apply. Students who avail of a period of extended leave during the course of a scholarship may continue to be funded by the providers of the scholarship whilst on leave. However, as students on extended leave are not considered to be under full time instruction, the exemption will not apply, and payments should be taxed under the PAYE system as normal.

6. Students from overseas

Students who are temporarily present in the State, solely for the purpose of their education or training, may be due relief in respect of payments made for the student's maintenance, education or training under the relevant provision of a double taxation agreement (Article 20 of the OECD Model Tax Convention). The payment must be from a source outside the State.

Details of all double taxation agreements entered into by the State are available on the [Revenue website](#).

Details of temporary measures to deal with the issue of obtaining a PPSN in cases where the student was unable to travel to the State due to Covid-19 restrictions are published on the [Revenue website](#). This concessionary measure ceased to apply on 31 December 2020.