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Tax Treatment of Benefits in Kind

As of 1st of January 2004 the responsibility for operating PAYE/PRSI on these benefits is placed on the employer. The benefits are taxed over the year based on the annual level of the benefit and PAYE and PRSI is deducted on a weekly or monthly basis from wages or salaries by the employer.

The main benefits which are affected are:

- Company cars (see note1)
- Company vans (see note2)
- Travel and subsistence expenses where the amount paid exceeds the Civil Services rates or are not paid in accordance with the Revenue guidelines
- Medical insurance premiums
- Vouchers, including Luncheon vouchers
- Mobile phones (see note3)

The following benefits will not be affected by the treatment change:

- Child Care Facilities
- Company Shares
- Pension Contributions
- Car Parking
- Travel Passes

Note 1: The rules have been simplified for benefit in kind on company cars in respect of the business mileage bands but there is no longer any deduction allowed where the employee meets certain car running costs.

Note 2: Where a company van is supplied for the purposes of the employees work and they are required to bring the van home after work, there will not be a benefit in kind charge where the only private use of the van by the employee is the traveling from home to work and back and that the employee must spend 80% of their time away from the premises of the employer.

Note 3: Where an employer provides an employee with a mobile phone for business purposes and the employer bears the cost of the phone, a taxable benefit will not be treated as arising if the private use is incidental to the business use of the mobile phone.

The information contained in this memorandum is a general guide. It should not be used as a basis for making decisions or as a substitute for professional tax advice. Every effort has been made to provide accurate information in this document. As such we are unable to accept liability for any errors or omissions which may arise.

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