Russell
Brennan
Keane

Executive Relocation

Tax Considerations

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The information contained in this publication is not intended to be an advice on any particular matter. No reader should act on the basis of any matter contained in this publication without considering appropriate professional advice.

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Introduction

This guide is aimed primarily at individuals who are relocating to or from Ireland and their employers. Part A deals with the key tax considerations and practical issues facing individuals who are transferring to Ireland. Part B is aimed at Irish executives who are temporarily relocating abroad and addresses issues in relation to their Irish tax position while they are overseas and on their return to Ireland.

If you are an employer looking at relocating personnel to or from Ireland or the executive being relocated, you will no doubt have many questions – hopefully this guide will go some way towards answering these at a high level. However, you will also require expert local advice tailored to your specific circumstances to ease the administrative burden and assist in avoiding excessive taxes and/or needless cost. We would be delighted to assist you with this and ask that you contact us directly if you are considering international assignments to or from Ireland. We have set out below some background information about Russell Brennan Keane.

About RBK

Russell Brennan Keane is an established chartered accountancy firm, with over 200 employees based in offices in Athlone, Dublin and Roscommon. Established in 1958, the firm offers a comprehensive nationwide service, and has grown rapidly over the last decade by placing particular emphasis on relationships, quality business and tax services a wide range of corporate services and strong business support for its many successful clients. In addition to our core accountancy services, the firm also provides HR and IT Consultancy services in a range of industries.

Currently ranked as 9th largest accountancy firm in Ireland, RBK merged with Dublin firm Cremin McCarthy in November 2007.

About Leading Edge

Leading Edge Alliance, www.leadingedgealliance.com, is an international professional association of independently-owned accounting and consulting firms. The Leading Edge Alliance enables member firms such as Russell Brennan Keane to access the resources of global professional services in accounting and consulting firms around the world to assist in the delivery of professional and advisory services.

About Kreston

Kreston International, www.kreston.ie is a worldwide association of independent accountancy and advisory firms. Founded in 1971, Kreston is the 16th largest accounting group in the world, with representatives in over 70 countries, with 500 offices providing a resource of over 13,500 professionals and support staff.

PART A: COMING TO IRELAND

Section 1: Living in Ireland

In this section we discuss:

1.1 Visas/work permits
1.2 Currency/exchange controls
1.3 Office/retail/bank hours
1.4 Health services
1.5 Social security
1.6 Schooling
1.7 Driver's licence
1.8 Pension arrangements

1.1 Entry Requirements

If you are a non-EEA (European Economic Area) national, then depending on your personal circumstances, both yourself and your employer will need to comply with the numerous immigration requirements.

— Work Permits

— Visa

— Resident's Permits

1.2 Currency/Exchange Controls

Ireland is a member of the EU and since January 2002 has adopted the Euro as the national currency. There are no exchange controls restricting the movement of funds to or from Ireland.

1.3 Office/Retail/Bank Hours

Opening hours for offices and shops in Ireland are generally 9am - 5.30pm Monday to Friday (excluding public holidays). Shops also open on Saturday (and in some cases Sundays) and in larger towns or cities shops will open late some nights during the week.

Banking hours vary, but most banks are normally open from 9.30am to 4pm Monday to Friday. Most banks issue ATM cards and offer telephone banking services which enable access to funds 24 hours a day.

1.4 Health Services

An individual who is ordinarily resident (1 year test for this purpose) in Ireland may be entitled to free health care by the State if they satisfy a means test (which depends largely on the applicant's level of total income).

Free health care may also be provided by the State where the applicant is from another country covered by EU regulations, provided certain conditions are met.

The level of free health care provided by the State for those who do not satisfy the means test is limited to public hospital services subject to certain charges, maternity and infant care services, partial subsidisation of the cost of prescribed drugs and medicines over certain limits and free drugs and medicines for certain specified illnesses. Temporary visitors from another EU country are entitled to urgent necessary treatment without charge provided they have the European Health Insurance Card (EHIC). Temporary visitors from the UK need only provide evidence of their UK residence.

Apart from the State scheme, there are various private insurance schemes, which an employee can join to help subsidise medical/hospital expenses. A benefit in kind (i.e. taxable emolument) will arise if the employer pays a private medical insurance premium on behalf of the employee. The employee is however entitled to a partial credit for tax purposes for the premium amount.

1.5 Social Security

Please see Section 3.8 which deals with your liability to Irish social security contributions on secondment to Ireland. The payment of social security contributions gives potential entitlement to a number of benefits, including a state pension, redundancy payments and unemployment, sickness and invalidity benefits. The level of some benefits is dependant on the level of earnings and in certain cases you may not qualify for benefits until contributions have been made for a minimum period.

Under EU law child benefit is payable by the State under whose legislation you are insured. Therefore if you continue making social insurance contributions in your home country that country will pay child benefit in the normal way. If your family moves to another European Economic Area State in which you are working, then arrangements would be made for child benefit to be paid there. In general a person working in Ireland pays Irish social insurance. There are, however a few exceptions which apply where a person comes from a foreign country to work in Ireland for a foreign employer. See further Section 3.8.

1.6 Schooling

In Ireland, all children are required by law to attend a school full time between the ages of 6 and 16. There is a mix of religious, private and state schools at all levels. Foreign children can choose which school to attend, subject to a space being available.

1.7 Driver's Licence

If you hold a full driver's licence issued by another EU member state you can drive in Ireland. If you hold a licence from any other country you will have to apply for an Irish provisional licence and take an Irish driving test during your first year here. However, certain countries outside the EU have reciprocal agreements with Ireland which allows individuals coming to Ireland from these counties to exchange their licence for an Irish licence.

1.8 Pension Arrangements

Will your stay in Ireland affect your pension entitlements? Will you and/or your employer continue to make contributions to your pension scheme in your home country and if so, what are the tax implications? If contributions will be suspended, do you and your employer need to make some alternative arrangement in order to protect your contribution record and eventual pension entitlement? This is a very important area and one on which you should always take specific advice.

1.9 Tax Year

The tax year in Ireland is the calendar year i.e. ends on 31st December.

Section 2: Taxation of employment income

In this section we discuss employer issues under the following headings:

2.1 Payroll deductions – The general rule

2.2 Employment exercised wholly in Ireland

2.3 Employment exercised in Ireland and overseas

2.4 Temporary assignees from treaty countries

2.5 Non-treaty countries – incidental duties

2.6 Tax equalisation

We also provide general commentary on issues from an employee's perspective in 2.7 and comment on what forms of remuneration are taxable here in 2.8.

2.1 Payroll Deductions – The General Rule

The tax authority in Ireland is the Revenue Commissioners (referred to as "Revenue"). The Pay As You Earn (PAYE) system is used by employers for deducting and remitting to the Revenue the Irish income tax due on the employee's income.

From 1st January 2006 income attributable to the performance of duties in Ireland is within the scope of the PAYE system regardless of where the employer is resident or where the salary is paid from/to.

However, the portion of a salary paid by an non-Irish employer to an overseas bank account that relates to duties performed outside Ireland is not within the scope of the PAYE system (although it may be chargeable to Irish tax in the hands of the employee depending on his residency status (see further Section 3.2).

It is necessary for employers to register with Revenue for the purposes of the PAYE system. To register for PAYE purposes the employer must complete Form TR1 or TR2.

Where emoluments are paid by an intermediary acting on behalf of an employer the intermediary applies the PAYE system. However the obligation to operate PAYE remains with the employer where the intermediary fails to operate such system.

RBK offers a competitive payroll bureau service which eliminates all of the above administration issues for employers.

2.2 Employment Exercised Wholly In Ireland

If the employment is exercised wholly in Ireland all of the income is chargeable to tax in Ireland and is within the PAYE system.

2.3 Employment Exercised In Ireland And Overseas

If the non-Irish employment is exercised partially in Ireland and partially outside the State it is necessary to determine the portion of income attributable to the performance in Ireland of the duties of that employment (subject to PAYE). Where the amount of income referable to the Irish duties is not readily ascertainable the employer can apply for a direction from Revenue as to the proportion of the income that should be within the PAYE system.

2.4 Temporary Assignees From Treaty Countries

The fact that an employee may be temporarily working in Ireland and relieved from the charge to Irish tax under the terms of the relevant double taxation agreement (see further Section 2.7) does not mean that the employer need not operate the PAYE system on the employee's income referable to Irish duties.

However, Revenue does not require an employer to operate Irish PAYE if the following criteria are satisfied:

- The individual is resident in a country with which Ireland has a Double Taxation Agreement and is not resident in Ireland for tax purposes in the relevant year.
- There is a genuine foreign office or employment.
- The individual is not paid by, or on behalf of, an employer resident in Ireland.
- The cost of the office or employment is not borne, directly or indirectly, by a permanent establishment in Ireland of the foreign employer.
- The duties of that office or employment are performed in Ireland for not more than 60 working days in the year of assessment, and in any event for a continuous period of not more than 60 days.

Alternatively where temporary assignees of Treaty countries are:

- present in Ireland for a period not exceeding 183 days in the year of assessment; and
- suffer withholding taxes at source in their home country on the income attributable to the performance of the duties of the employment in Ireland

then with effect from 1st January 2007 Revenue will not require an employer to operate the Irish PAYE system in respect of the temporary assignee, provided certain administrative requirements are met which include registering as an employer for PAYE purposes in Ireland and providing proof of withholding tax at source in the foreign country.

2.5 Non-Treaty Countries – Incidental Duties

Where a non-resident employee from a non-treaty country performs incidental duties in Ireland for a period of not more than 30 days in aggregate in a tax year, PAYE need not be deducted in respect of income attributable to such duties.

2.6 Tax Equalisation

In many instances internationally mobile employees enter into either a tax equalisation arrangement or a tax protection arrangement with their employer when they are seconded, transferred or assigned to work in another jurisdiction.

We have set out below the Irish tax treatment where such an arrangement exists.

- A tax equalisation agreement may take various forms, and in general, refers to an arrangement between an employer and employee to provide that the employee is no better or no worse off in personal tax terms than if he/she had not relocated.
- Hypothetical tax is an estimate of the tax that the employee would have paid had he/she not relocated as this is very often used as the base for determining the gross pay for tax purposes in the new country where the employee is based.

Where an employer pays tax on behalf of an employee under a tax equalisation arrangement the net take home pay should be regrossed for the purposes of calculating the tax due under the PAYE system.

EXAMPLE

Joe is a US national.

His gross salary in 2006 is €100,000. His salary after tax in the US that year is €75,000. He is transferred to Ireland for 1 year with effect from 1st January 2007. His employer has agreed that he will receive take home pay of €85,000 in 2007. If Joe is single and qualifies for the single persons standard rate band, single persons tax credit and the PAYE tax credit, his gross salary in 2007 will be €126,000 in order that he receives net take home pay of €85,000 (see computation below).

Gross salary	€126,000
Tax	
€34k at 20%	€6,800
€92k at 41%	€37,720
Tax before credits	€44,520
Credits (single)	€1,760
PAYE	€1,760
Tax after credits	€41,000
Net salary	€85,000

In some instances a tax equalisation arrangement between an employee and his employer may contain an agreement that the employee will reimburse certain refunds of tax to the employer. Such an agreement is a matter for the employer and the employee.

2.7 Employee Issues

An individual's liability to income tax in Ireland is generally determined by reference to his residence position. However income attributable to the performance in Ireland of duties of an employment is chargeable to tax in Ireland under our domestic law regardless of the residency position of the individual.

Under the terms of the Employment Article of Double Taxation Agreements between Ireland and other countries, the income attributable to the performance in Ireland of duties of an employment may be relieved from the charge to Irish tax. The terms of the particular tax treaty would need to be reviewed but in general where temporary assignees of Treaty countries are present in the State for periods not exceeding 183 days and where the salary is borne by a foreign employer and not borne by a permanent establishment (effectively a branch) of that employer in Ireland, the exemption from Irish tax applies.

Even if the exemption applies under the treaty, PAYE may still need to be deducted by the employer (see Section 2.4 above) and, in such circumstances a refund of PAYE will need to be claimed when submitting the individual's tax return.

Non-Irish source employment income attributable to the performance of duties outside the State where chargeable to tax in Ireland, qualifies for the remittance basis of taxation (see further – Section 3.2.1). Essentially this means that the income is not taxable until it is remitted into Ireland.

2.8 Earnings

For Irish tax purposes earnings include salary, fees, bonuses and other compensation together with:

- Personal expenses which are either incurred by you and are reimbursed by your employer or paid directly by your employer. However certain vouched location expenses paid for or reimbursed by your employer are not taxable.
- Tax liabilities which are met or reimbursed by your employer.
- Foreign service allowances for housing, children's education, cost of living, etc.
- Employer's contributions to employee incentive schemes such as stock savings and deferred income plans. Your employer's contributions to pension scheme are not included if the scheme meets Revenue approval. This is another important area on which to take specific advice.
- Benefits in kind – The general rule is that the amount to be taxed is the cash equivalent of the benefit. Special rules apply for calculating the value of company cars and certain employer loans. This is a very complex area but one where it is possible to generate substantial tax savings by getting appropriate advice on structuring your benefit package.

Special rules also apply to share options and share purchase schemes. The taxation of share option gains for "mobile" employees is notoriously complex. If you have share options that may be exercised in the short term or during your stay in Ireland it is important that you seek advice on the tax implications in Ireland and your home country so that you can avail of any tax mitigation opportunities prior to your move.

Section 3: Taxation of other income and gains

In this section we cover the following topics:

3.1 Introduction and key concepts
3.2 General liability to tax
  3.2.1 Resident not domiciled
  3.2.2 Non-resident
  3.2.3 Ordinarily resident
3.3 Tax filing
3.4 Tax rates
3.5 Employment income
3.6 Investment income
3.7 Double Tax relief
3.8 Social Insurance
3.9 Capital Gains Tax
3.10 Gift and Inheritance Tax

3.1 Introduction And Key Concepts

Prior to registering for taxes in Ireland you will need to obtain a personal public service (PPS) number. In order to obtain a PPS number you must visit your local Social Welfare office and complete a REG1 Form. You will be asked to produce the following documents:

- Birth cert
- Passport
- Photo id
- Documents supporting your address

The extent of your liability to tax in Ireland will depend on your residence position. The key definitions are set out below and how they impact on your tax status is set out in Section 3.2.

Residence

An individual will be regarded as resident in Ireland for a tax year if he/she:

- Is present for 183 days or more in Ireland for that tax year.
- Is present for 280 days in Ireland combining the number of days spend here in the tax year and the preceding tax year (provided here for at least 30 days each year).

A day is counted if you are present in Ireland at midnight.

Ordinary residence

An individual will be ordinarily resident in Ireland if he/she has been a resident for each of the 3 preceding tax years. An individual who commences residence in Ireland becomes ordinarily resident here from the beginning of the 4th tax year. An individual who is ordinarily resident in Ireland remains so until the end of the third consecutive tax year in which the individual is not resident.

Domicile

Domicile is a concept distinct from nationality, residence or ordinary residence. It means, broadly, that place an individual regards as his/her permanent home i.e. the place to which he/she intends eventually to return. Each individual acquires a domicile of origin at birth and this remains with the individual for his/her lifetime unless steps are taken to sever all ties with this jurisdiction.

A foreign national taking up employment in Ireland for a defined period who always intends to return home does not normally acquire Irish domicile.

3.2.1 Resident Not Domiciled

The general rule is that Irish resident individuals are liable to Irish tax on worldwide income and gains. However, individuals who are Irish resident but not Irish domiciled (which includes the majority of those coming to Ireland to work on secondment) are normally liable to Irish tax on non-Irish sourced income only to the extent that the income is remitted to (i.e. physically brought into) Ireland. This is known as the remittance basis of taxation. This basis can also apply for Irish income tax purposes to certain Irish citizens who are not ordinarily resident in Ireland. The remittance basis of taxation also applies in respect of capital gains but only applies to non-Irish and non-UK sourced gains and only to non-domiciled persons.

Any accumulated savings held by an individual on the last day of the tax year prior to becoming Irish resident is generally deemed to be capital and can be remitted into Ireland without incurring an Irish income tax liability. It is extremely important to segregate such "capital funds" and not to taint them with income earned after 1st January of the tax year in which an individual becomes Irish resident as any remittances out of mixed funds are considered by Revenue to come, in the first instance, out of income and accordingly are taxable.

This remittance rule means that it is often advisable for the secondee to open separate bank accounts to receive different types of income and other monies. For example:

- An Irish bank account to receive income and gains which are taxable in Ireland (such as Irish income, Irish and UK sourced gains, earnings for duties performed in Ireland).
- An account outside Ireland to receive non-Irish sourced income and non-Irish and non-UK sourced gains (which would be liable to Irish tax if remitted here).
- An account outside Ireland into which non-taxable capital is deposited (which can be remitted tax free if and when required).

The setting up of bank accounts and remittances funds is another area where specific advice should always be taken.

3.2.2 Non-Resident

Non-Irish residents are generally liable to tax only in respect of Irish source income and gains arising on the sale of Irish specified assets.

In the case of income from employment they are only liable to Irish tax on the extent that the earnings are for duties carried out in Ireland.

3.2.3 Ordinarily Resident

An individual who is not resident but remains ordinarily resident is liable to Irish income tax and capital gains tax on worldwide assets, subject to the remittance basis for non-domiciled individuals and any relief available under a double tax agreement that Ireland has with another jurisdiction.

The following is automatically excluded:

- Income from a trade or profession where no part is carried on in Ireland.
- Employment income where all duties are performed abroad, apart from incidental duties in Ireland (Revenue treats up to 30 days employment duties per year as incidental).
- Other income (foreign investment income) where it is less than €3,810 per year.

3.3 Submitting Income Tax Returns

A self assessment system for income tax and capital gains tax exists and applies to anyone who is self employed, a director of a company, or anyone whose income is not taxed through the PAYE system, including someone who exercises share options. It also applies to anyone with capital gains even if all their income is taxed under PAYE.

Payment on account known as preliminary tax must be paid on 31st October each year.

Under the self assessment system the following pay and file obligations must be met by 31st October annually:

- Payment of preliminary income tax for the current year.
- Payment of balance of income tax for the previous year.
- Filing of income and capital gains tax returns for the previous year.
- Payment of capital gains tax (on disposals made in 1st January to 30th September in the current tax year).

In addition, by 31st January following the end of a tax year you must make payment of capital gains tax on disposals made in 1st October to 31st December of the prior tax year.

3.4 Rates Of Tax And Personal Allowances

Income taxes are levied at progressive rates on your taxable income for the year. All resident individuals are entitled to a personal tax credit. Married couples who are jointly taxed can in most cases combine their personal allowances and tax credits. This will not always be possible if one spouse is not Irish resident. There are also other allowances and credits available depending on the tax payer's status and age.

Chargeable gains in excess of an annual exempt threshold (€1,270) are subject to capital gains tax at 20%.

Current Irish tax rates and allowances are set out in Appendix 1.

3.5 Employment Income

Please see Section 2.

3.6 Investment Income

Irish residents are normally liable to tax on interest and dividends from all sources. If the recipient is Irish resident but not Irish domiciled the remittance basis applies to interest or dividends from a foreign source i.e. only taxed here if remitted.

Irish source interest is usually paid after deduction of standard rate tax (20%) and Irish dividends net of withholding tax (20%). For certain interest from deposits there is no further tax due.

Income from Irish situated rental properties is liable to tax regardless of the residency status of the recipient. If the recipient is resident but not domiciled the remittance basis applies to income from property situated outside Ireland.

3.7 Double Tax Relief

If you are liable to Irish tax on income or gains that are also taxable in another country double tax relief may be given either by Ireland or the other country to give credit for taxes paid in the other country on income or gains. Where double tax relief is given by Ireland the amount of foreign tax credit is limited to the amount of Irish tax payable on the same income or gains. Any excess of foreign tax credit cannot be set against Irish tax for further income or gains.

3.8 Social Insurance Contribution

A person working in Ireland is normally liable to pay Pay Related Social Insurance (PRSI) and a 2% health levy on their earnings. PRSI rates are set out in Appendix 2. PRSI and the health levy are normally paid under the PAYE system, however special rules usually apply for those coming to Ireland on secondment and who cannot claim an exemption from employee and employer Irish social security. Such individuals generally pay PRSI through the special collection system.

Ireland is party to a number of social security agreements. In addition, Ireland is subject to the provisions of EU Regulation 1408/71. This legislation covers the EU member states, Iceland, Lichtenstein, Norway and Switzerland.

These agreements allow individuals who are posted to/from Ireland to remain within his/her home country social security regime. It usually also provides complete exemption from host social security costs for both the employee and the employer.

To protect your entitlement to benefits, both in Ireland and your home country, it is important to establish the exact position and comply with the appropriate procedures, (which vary depending on which country is involved), as soon as possible after your arrival in Ireland.

3.9 Capital Gains Tax

Capital gains are taxed at a rate of 20%.

An individual who is resident or ordinarily resident is liable to capital gains tax on his worldwide assets (subject to any relief that may apply under a Double Tax Treaty).

Non-domiciled persons can avail of the remittance basis in respect of non-Irish and non-UK capital gains i.e. only taxed to the extent that proceeds are remitted here.

Non-residents are only liable to Irish capital gains tax on disposal of specified assets, which include Irish land or shares deriving their value from Irish land.

3.10 Gift and Inheritance Tax

Capital acquisitions tax (CAT) is a capital tax charged on gifts and inheritances. The general rules are that gifts and inheritances are taxable where:

- The disponer (person making gift/bequest) is resident or ordinarily resident in Ireland at the date of this disposition; or
- The donee (recipient) is resident or ordinarily resident in Ireland at the date of the gift/inheritance; or
- The property comprised in the gift/inheritance is located in Ireland, regardless of the residence of the disponer or donee.

To limit Irish taxation of gifts and inheritances of non-Irish property made or received by persons who are resident in Ireland on a temporary basis, foreign domiciled persons will not be regarded as resident or ordinarily resident in Ireland on a date unless:

- That person has been resident in Ireland for the 5 consecutive tax years immediately preceding the tax year in which the gift/inheritance occurs; and
- That person is either resident or ordinarily resident in Ireland at the date of the gift/inheritance.

This is an extremely complex area and advice should be sought where charges to tax might arise.

PART B: LEAVING IRELAND

Section 1: Managing your affairs while overseas

In this section we discuss:

1.1 Your home
1.2 Health insurance
1.3 Driver's licence
1.4 Your investment portfolio
1.5 Share scheme/share option
1.6 Pension arrangements
1.7 Social security

This section is aimed at people who are being posted from Ireland (the home country) to work in another country (the host country). Our goal is to outline practical matters which you and your employer should consider in regard to your posting, and to highlight the key tax aspects of the transfer.

1.1 Your Home

The main options available to you are to either sell your home, let it, or leave it unoccupied. The tax implications of renting out your property are set out in Section 2 below and in Part A, Section 3.6. Renting your home may have an impact on stamp duty relief initially claimed on the purchase; this position should be confirmed with a tax advisor.

There is a tax relief, known as principal private residence relief which may apply to exempt or substantially reduce any capital gains tax on sale of your home. Regardless of whether any gain is taxable, it may be necessary to obtain a capital gains tax clearance certificate to avoid a purchaser having to withhold tax on payment of the purchase price.

1.2 Health Insurance

Cover is usually available depending on the type of insurance for medical treatment necessitated by an accident or sudden illness arising during a temporary stay abroad. Temporary usually means 6 months or less. As well as this cover most health insurance companies operate a worldwide medical emergency assistance and advice service.

If you are transferring abroad for an extended period different considerations apply. If your health insurance provider is a member of the Federation of Health Funds (FHF) you can arrange to cancel the insurance in Ireland and transfer to another FHF member fund, subject to certain conditions, during your stay abroad. This will enable you to make sure that there is no break in the insurance and as far as possible provides immediate cover without any new member restrictions.

When going to another EU country you should obtain a European Health Insurance card from the department of Social, Community and Family affairs which will entitle you to emergency medical treatment without charge.

1.3 Driver's Licence

A holder of a full Irish driver's licence can drive using this licence in any EU member country. When travelling outside the EU you should check with the individual embassy to see if there is a reciprocal agreement in respect of that country or alternatively obtain an international driver's licence.

1.4 Your Investment Portfolio

Are the necessary arrangements in place for someone to manage your investment portfolio while you are away? We would recommend that your portfolio be reviewed from a tax perspective prior to your move as some investments which are tax effective if you are Irish resident may be far less effective if you are non-resident (and vice versa).

1.5 Share Scheme/Share Option

If you are a member of an employee share scheme you should take specific advice regarding the commercial and tax implications of your move. This may influence the timing of the exercise of any options.

1.6 Pension Arrangements

If you intend to leave Ireland permanently or to work for a new employer, what impact will this have on pension entitlements and what is the most tax efficient way to structure your pension contributions going forward? This is an area on which you should seek specific advice.

1.7 Social Security

As noted at Part A, Section 3.8 above, certain regulations are in operation to safe guard the social welfare entitlements of individuals moving from one country to another. This is achieved by allowing social security contributions paid in one country to assist a claimant to qualify for certain benefits in the other country.

Section 2: Taxation while overseas

In this section we discuss the following:

2.1 Host country taxation
2.2 Tax position in Ireland whilst overseas

2.1 Host Country Taxation

The first question an individual considering an overseas assignment normally asks is if they have to pay foreign tax and if so at what rate.

If you are working in a foreign country for an extended period it is likely that you will be liable to foreign tax to some extent. It is not possible in this guide to give an indication of potential liabilities for specific countries given that tax systems throughout the world differ so much. However the general rule is that most foreign jurisdictions will levy tax on at least the income earned in that jurisdiction. In certain countries it is possible that you may be liable to foreign tax on your worldwide income.

You should meet with an experienced local tax advisor to identify the tax costs related to your worldwide remuneration as well as tax compliance rules and payment obligations in the assignment location. Again, specific tailored local advice can ease the administrative burden and costs and can also substantially reduce tax costs by putting in place an optimum employment contract structure, salary and benefit package, pension arrangements, accommodation arrangements, etc.

RBK is a member of the Leading Edge Alliance and Kreston which have offices throughout the world and with them we can provide you with the information you need on the relevant countries tax regime.

2.2 Tax Position in Ireland Whilst Overseas

In addition to considering your tax liability overseas you will also need to consider the impact of your posting on your Irish tax liability. Again with forward planning there are ways in which your tax liability can be reduced.

Please refer to Part A, Section 3.2, for further details on how to determine your liability to Irish tax. We have set out below the key issues that will arise from an income tax perspective.

Becoming non-resident

Please refer to Part A, Section 3.2 individuals must be non-resident for 3 consecutive tax years before they lose their ordinarily resident status. Ordinarily residents are taxed as if they were residents i.e. taxed on their worldwide income. However they are not taxed on the following sources:

- A trade or profession, no part of which is carried on in Ireland.
- An office or employment, all of the duties of which are performed outside Ireland (apart from incidental duties).
- Other foreign sources which do not exceed €3,810.

In addition, the relevant double tax treaty may provide relief from the Irish tax charge – see further below.

An individual who is both non-resident and non-ordinarily resident will normally only be liable to Irish income tax on Irish income sources. In the case of income from employment the Irish tax liability is limited to earnings from duties carried out in Ireland subject to any relief available under a double taxation agreement. See further Section 3.2.2 and below.

Employment related income

As noted above, an Irish resident individual is normally taxed on worldwide income. Under the look-back rule (refer Part A, Section 3.2) an individual may be tax resident in Ireland in a particular tax year even if they leave Ireland early in that year. On first principles this means that employment income earned for the full calendar year is taxable in Ireland – where the individual is working overseas the salary is likely to be taxed there. There is a statutory relief, known as the "split year treatment" which provides that, where an individual leaves Ireland with the intention and in such circumstances that he/she will not be resident for the following tax year, he/she is not taxable on earnings from an employment exercised outside Ireland after the date of departure from Ireland. In most cases this can lead to a tax refund due to unused personal tax credits. Income (other than employment income) remains taxable for the entire tax year.

If you exercise share options whilst abroad which were granted while you were a resident in Ireland you may be liable to Irish tax on the exercise of that option or sale of the shares subject to double tax relief. Again this is an area in which you should seek specialist tax advice.

Investment income

Interest paid by Irish banks, building societies and similar financial institutions will be paid gross i.e. no withholding tax (DIRT) will be deducted if a non-resident makes the appropriate non-residents declaration to the bank or other financial institutions.

Income from rental properties situated in Ireland is liable to tax regardless of the residency status of the recipient. Irish source dividends paid to non-residents and non-ordinarily resident individuals who are resident in an EU/Treaty country may be paid free of withholding tax and maybe exempt from Irish income tax provided certain conditions are met.

Capital gains tax

An individual ordinarily resident and domiciled in Ireland but who is no longer resident in Ireland remains subject to Irish capital gains tax and chargeable gains arising on disposal of worldwide assets subject to relief that may be available under a tax treaty.

An individual who is neither resident nor ordinarily resident in Ireland is only liable to Irish capital gains tax on the disposal of certain specified Irish assets which include Irish land and buildings or shares deriving their values from Irish land and buildings.

Interaction of Irish and foreign taxes

If you cease to be resident in Ireland for tax purposes it is likely that you will become resident in another jurisdiction and therefore liable to tax in that jurisdiction.

There may be a double tax agreement between Ireland and the other country and this will apply to determine which country has the right to tax your income and capital gains. In this way you should not be taxed twice on the same income or gains.

If there is no double tax agreement between Ireland and the other country and the income is taxable in both jurisdictions, some measure of relief is usually given by deducting the tax paid and taxing only the net income.

Inheritance/gift tax ("CAT")

See further sections Part A, Section 3.10 on the territoriality rules for Irish CAT.

The host country may impose gift or inheritance taxes and you should obtain professional advice in relation to your estate planning to take account of Irish and foreign tax issues. As with other taxes double tax relief may be available but there are only two tax treaties that refer to CAT and these are with the UK and the US. Limited unilateral relief is available where there is no treaty in place.

Section 3: Returning to Ireland

There are many issues that need to be considered before you return to Ireland and appropriate tax advice should be taken to ensure that any available tax planning opportunities are utilised. These include:

The timing of your return

There may be tax advantages available depending on the date of your return within the tax year.

Depending on the duration of your secondment you may have become non ordinarily resident in Ireland in which case you may be entitled to avail of the remittance basis on your return. If so, it is essential that bank accounts are correctly structured before your return to maximise the benefits of the remittance basis.

Capital gains

Subject to foreign tax implications, if you are not ordinarily resident in Ireland you may wish to consider realising any significant accrued capital gains in the tax year before returning to Ireland. Similarly you should postpone realising any losses until Irish residence is resumed.

Again because the timing is critical to mitigate tax liabilities, specific advice should be obtained.

Investment portfolio

There may be advantages available by leaving certain investments offshore if you are returning to Ireland and at that stage you are not ordinarily resident in Ireland. Also, the composition of your investment portfolio should be reviewed again as certain investments which were tax efficient whilst non-resident may not be efficient on your return (and vice versa).

How RBK can help you

Moving location can be stressful for both employees and employers. At RBK we can assist both parties with the move and ease some of the administration headache.

We can also advise on how best to time and structure the secondment to reduce your tax liability.

Specific areas we can advise on include:

- Structuring your remuneration package tax efficiently.
- Tax planning on pensions and share options.
- Structuring bank accounts to avail of the remittance basis.
- Tax administration and compliance.
- Payroll Bureau services.

Hopefully this guide answers some of your questions – however, as it is general in nature you should obtain specific professional advice tailored to your personal circumstances. RBK would be delighted to assist you in this regard.

APPENDIX I

Income Tax Rates

INCOME TAX RATES	2008	2007
Bands of taxable income		
Single/Widowed *(without dependent children)*	€35,400 @ 20% Balance @ 41%	€34,000 @ 20% Balance @ 41%
Single Parent/Widowed Parent *(with dependent children)*	€39,400 @ 20% Balance @ 41%	€38,000 @ 20% Balance @ 41%
Married couple *(one income)*	€44,400 @ 20% Balance @ 41%	€43,000 @ 20% Balance @ 41%
Married couple *(two incomes)*	€70,800 @ 20% Balance @ 41%	*€68,000 @ 20% Balance @ 41%

*In the case of a married couple with two incomes the standard rate band is transferable between them up to €70,800 (the band for two income married couples). In effect this means that up to €26,400 may be transferred between them, if one spouse earns less than €26,400 there is a loss of some of the benefit of the higher band.

INCOME EXEMPTION LIMITS	2008	2007
Single/Widowed	€	€
Under 65 years	5,210	5,210
65 years of age and over	20,000	19,000
Married Couples		
Under 65 years	10,420	10,420
65 years and over	40,0000	38,000

The relevant exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and any subsequent dependent children. Marginal relief no longer applies after 1 January 2008.

Tax Credits @ 20%		2008	2007
		€	€
Single		1,830	1,760
Married (jointly assessed)		3,660	3,520
Widowed person in year of bereavement		3,360	3,520
Widowed person no children		2,430	2,310
Widowed person/single person with dependent child		3,660	3,520
Additional allowances in years following bereavement			
Year 1		4,000	3,750
Year 2		3,500	3,250
Year 3		3,000	2,750
Year 4		2,500	2,250
Year 5		2,000	1,750
Home carer's credit*	max	900	770
Incapacitated child	max	3,660	3,000
Dependent relative	max	80	80
Age credit	single	325	275
	married	650	550
Blind person	single	1,830	1,760
	married	1,830	1,760
	both spouses	3,660	3,660
PAYE		1,830	1,760
Allowances @ 41%			
Guide dog		825	825
Allowance to employ a carer for an incapacitated person	max	50,000	50,000

*A reduced tax credit applies where the carer's income exceeds €5,080, the tax credit is reduced by one half of the amount of the excess.

APPENDIX 2

Social Insurance Contributions

Pay Related Social Insurance (PRSI) is payable by employers, employees and self employed persons.

Employers and employees pay PRSI on the employee's salary after deduction of any contributions to an approved pension scheme. The rate can vary and may or may not include a health levy of 2/2.5% which is payable in certain cases.

Employer's and employee's PRSI is charged on all earnings from employments, including benefits in kind. The only allowable deductions are contributions paid to an improved employee superannuation scheme and certain permanent health insurance policies.

Rates 2008
Employees (earning over €500 per week or equivalent)

Class A1 - Most employed persons

Earnings	Employer	Employee
First @50,700*	10.75%	6% (Inclusive of 2% health levy)
€50,701 - €100,000	10.75%	2% (levies only)
Balance (no ceiling)	10.75%	2.5% (Health Levy)*

Class K1 - Persons in receipt of occupational pensions

Earnings	Employer	Employee
Income up to €500pw	Nil	Nil
Income in excess of €500pw up to €100,100pa	Nil	2.0%
Balance (no ceiling)	Nil	2.5%*

Class S1 - Proprietary and non-executive directors, not insurable under Class A (earnings over €356 per week)

	Employer	Employee
First €100,100	Nil	5%
Balance (no ceiling)	Nil	5.5%*

*The first €127 per week is exempt from employee's PRSI contributions but not from the Health Levy.

Self-employed Persons, Class S

Income	Rate
First €100,100	5%
Balance (no ceiling)	5.5%*

*Where weekly/monthly income exceeds €1,925/€8,341.55 respectively the additional 0.5% health contribution is payable in that week/month.

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