



Employment taxes update Benefits in kind – TaxSaver Commuter Ticket

Employment taxes have become more complex and burdensome in recent times mainly due to Revenue changes in the tax treatment of Benefits-in-Kind (“BIK”). However there are some Revenue concessions available which can enable tax savings for both the employee and the employer.

TaxSaver Commuter Ticket Scheme

The TaxSaver scheme is designed to promote the utilisation of Bus/Rail/Luas/Ferry services whilst providing savings (through taxation breaks) for employees of participating organisations. An employer can purchase a monthly / annual Bus/Rail/Luas/Ferry pass for an employee without the employee being liable for BIK taxation. The tax relief on this public transport expenditure is not administered by Revenue but is instead operated by transport companies (public and private operators) and employers. The TaxSaver ticket must be purchased by the employer on behalf of the employee and an employee cannot buy a TaxSaver commuter ticket on their own behalf. The TaxSaver tickets are non-transferable and can only be used by the employee who received the tax benefit.

Benefits for Employees:

Employees can make tax savings (depending on tax band) of up to 41% tax, 7% USC and 4% PRSI by receiving a monthly / annual Bus/Rail/Luas/Ferry commuter ticket.

Benefit for Employers:

Employers are not liable for employer PRSI(10.75%) on the value of a monthly or annual bus/rail/Luas/ pass for each employee who participates

Bus, Train, Luas and Ferry

The exemption from BIK taxation on the monthly or annual Bus/Rail/Luas/Ferry does not extend to car parking charges.

Salary Sacrifice

An employer and employee may enter into a ‘salary sacrifice’ arrangement operated through the employee’s payroll. Under this arrangement, the employee agrees to ‘forego’ part of his / her salary to cover the cost of the commuter travel pass. The full cost must be recovered within a maximum period of 12 months from the date of provision of the commuter travel pass. The amount of salary ‘sacrificed’ will then be exempt from PAYE, PRSI and USC. It will also be exempt from employer’s PRSI.

Conditions applicable to this exemption / salary sacrifice

For Revenue to regard salary sacrifice arrangements as being effective for tax purposes the following conditions must be met:

- There must be a bona fide and enforceable alteration to the terms and conditions of employment (exercising a choice of benefit instead of salary)
- The alteration must not be retrospective and must be evidenced in writing (signed by the employee)
- There must be no entitlement to exchange the benefit for cash
- The choice exercised (i.e. the benefit instead of cash) cannot be made more frequently than once a year and then only with the consent of the employer

Contacts

Employers are required to register with www.taxsaver.ie to enable their employees to avail of this exemption and benefit from the Employer's PRSI saving. A company will make employer PRSI savings of 10.75% as the gross income of each employee receiving a TaxSaver commuter ticket will be reduced.

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