IT 34

Foreign Earnings Deduction

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Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

myAccount

myAccount is a single access point for all Revenue's secure services (except ROS) and is the quickest and easiest way to manage your tax affairs.

To access **myAccount**, you must be registered first. The registration process on **www.revenue.ie** is simple to use and once registered, a temporary password will be sent to you.

If you are already registered for **PAYE Anytime** you will be able to login using your existing PAYE Anytime PIN.

You will be able to access a range of Revenue services from **myAccount** such as:

- PAYE Anytime
- Local Property Tax (LPT)
- Home Renovation Incentive (HRI)
- eForm 12 - Annual PAYE Tax Return
- MyEnquiries

Other services will be made available through **myAccount** in the near future.

The benefits of using **myAccount** include:

- Quick, convenient, easy and secure service.
- 24 hour, 365 days access.
- Single password for all online services.
- Instant retrieval of forgotten passwords (in most cases).
- Accessible using multiple devices (desktop computer, smartphone, tablet, etc.).
- Updating of profile details, including change of address.

For more information visit **www.revenue.ie** and select **myAccount**.

Introduction

For the tax years 2012 to 2017 inclusive, relief from taxation may be claimed on a proportion of income earned by individuals who are resident in the State but who spend significant amounts of time working in a “relevant state”. The relief applies for the years of assessment 2012 to 2017 and does not apply to Universal Social Charge or PRSI.

“Relevant state” means Brazil, Russia, India, China or South Africa and,

- from 1 January 2013, includes Egypt, Algeria, Senegal, Tanzania, Kenya, Nigeria, Ghana or the Democratic Republic of the Congo, and
- from 1 January 2015, includes Japan, Singapore, the Republic of Korea, Saudi Arabia, the United Arab Emirates, Qatar, Bahrain, Indonesia, Vietnam, Thailand, Chile, Oman, Kuwait, Mexico and Malaysia.

Qualifying conditions

The basic condition is that the employee must have worked a minimum number of “qualifying days” in a “relevant state” in a tax year or 12 month period spanning two tax years.

For the tax years 2012 to 2014, the minimum number of “qualifying days“ is 60. For these tax years, a “qualifying day” is a day which is one of at least four consecutive days devoted substantially to carrying out the duties of the employment where, throughout the whole of each such day, the individual is present in a “relevant state”. The day of arrival in, and the day of departure from, that state cannot be counted. However, days spent in uninterrupted travel between “relevant states” may be counted as qualifying days.

For the tax years 2015 to 2017, the minimum number of “qualifying days” is 40. For these tax years, a “qualifying day” is a day which is one of at least three consecutive days devoted substantially to carrying out the duties of the employment where, throughout the whole of each such day, the individual is present in a “relevant state”. Time spent travelling from Ireland to a “relevant state” or from a “relevant state” to Ireland or another “relevant state” is deemed to be time spent in a “relevant state” for these years.

For all years Saturdays, Sundays and public holidays, throughout the whole of which the individual is present in a “relevant state” and which form an unavoidable part of a business trip to a “relevant state”, may be counted as “qualifying days”.

The deduction

The amount of the deduction (that is the amount of income from the employment that may be relieved from tax) is the **lesser** of:

1. €35,000, or
2. the “specified amount” (see below).

The specified amount

The “specified amount” is calculated by using the formula:

$$\frac{D \times E}{F}$$

where:

D is the number of “qualifying days” worked in a “relevant state” in the tax year;

E is all the income from the employment in the tax year (including any taxable share options derived from the employment less any qualifying pension premium but excluding tax deductible expenses payments, benefits-in-kind, termination payments and payments payable under restrictive covenants);

F is the total number of days that the relevant employment is held in the tax year (365 days in a full tax year).

Note: The “specified amount” is reduced by the amount of any income earned on qualifying days in respect of which double taxation relief is available in this State under a Tax Treaty.

Example 1

Tom is required by his employer to travel to Russia to seek new markets for his employer's goods. He arrives in Russia at 10pm on 10 January 2012 and works there until he departs on 12 April 2012 at 8 am. His salary is €160,000.

Tom spends 92 qualifying days in Russia (21 in January, 29 in February, 31 in March and 11 in April). Days of arrival and departure are not counted as qualifying days as he is not present in Russia for the whole of these days.

The specified amount is the **lesser** of :

1. €35,000, or

2. the amount calculated by the formula as set out on page 4.

$$\frac{92 \text{ days}}{365 \text{ days}} \quad X \quad €160{,}000 \; = \; €40{,}328$$

As €35,000 is the lesser amount, Tom is entitled to reduce, for tax purposes, his salary from €160,000 to €125,000.

Note: Where a relevant period straddles two tax years the number of "qualifying days" must be 60 (for years 2012 to 2014) or 40 (for years 2015 to 2017) and the relief is granted on the basis of the number of "qualifying days" in each tax year.

Example 2

Anne leaves Ireland on 6 November 2014 at 8am to travel to Singapore via London. She arrives in Singapore on 7 November at 9pm and remains there until her return to Ireland on 4 December at 8am. On 2 February 2015 she leaves Ireland at 6pm and arrives in Malaysia at 3am on 4 February. She works there until her departure on 8 February to travel to Ghana. She arrives back in Ireland on 19 February at 10pm. Her salary is €170,000 in 2014 and €180,000 in 2015.

Anne has 42 "qualifying days" (27 in Singapore and 15 in Malaysia and Ghana). She has 27 "qualifying days" in 2014 and 15 "qualifying days" in 2015. Relief is granted as follows:

The specified amount is the **lesser** of :

1. €35,000, or
2. the amount calculated by the formula as set out on page 4.

2014

$$\frac{27 \text{ days}}{365 \text{ days}} \times €170{,}000 = €12{,}575$$

As €12,575 is the lesser amount, Anne is entitled to reduce, for tax purposes, her 2014 salary from €170,000 to €157,425.

2015

$$\frac{15 \text{ days}}{365 \text{ days}} \times €180{,}000 = €7{,}397$$

As €7,397 is the lesser amount, Anne is entitled to reduce, for tax purposes, her 2015 salary from €180,000 to €172,603.

Exclusions

The Foreign Earnings Deduction does not apply to public servants, nor does it apply to income:

- from an employment to which the remittance basis of taxation applies
- to which the key employee research and development tax relief applies
- to which the "split year" residence rules applies
- to which the cross border worker relief applies, or
- to which relief under the new special assignee relief programme (SARP) applies.

Claims

Since the amount of any deduction will depend on the number of “qualifying days” absence in either a tax year or in a period of 12 months straddling two tax years, the deduction will be given by way of end of year review. Claims should be supported by a statement from the employer indicating the dates of departure and return to the State of the employee and the location at which the duties of the office or employment were performed while abroad.

Time Limit for Repayment Claims

A claim for repayment of tax must be made within four years after the end of the tax year to which the claim relates. For example, claims for 2012 must be made by 31 December 2016. Please note you must have paid income tax during the year of your claim in order to receive a repayment. If you owe income tax to Revenue for an earlier year, your repayment may be reduced by this amount.

Accessibility

If you are a person with a disability and require this leaflet in an alternative format the Revenue Access Officer can be contacted at **accessofficer@revenue.ie**.

Further information

If you need further information visit **www.revenue.ie** or contact your Regional Revenue office whose LoCall number is listed below (within the Republic of Ireland only).

- **Border Midlands West Region** **1890 777 425**
  Cavan, Donegal, Galway, Leitrim, Longford, Louth, Mayo, Monaghan, Offaly, Roscommon, Sligo, Westmeath
- **Dublin Region** **1890 333 425**
  Dublin (City and County)
- **East & South East Region** **1890 444 425**
  Carlow, Kildare, Kilkenny, Laois, Meath, Tipperary, Waterford, Wexford, Wicklow
- **South West Region** **1890 222 425**
  Clare, Cork, Kerry, Limerick

Please note that the rate charged for the use of 1890 LoCall numbers may vary amongst different service providers.

If you are calling from outside the Republic of Ireland, please phone +353 1 702 3011.

Revenue Commissioners
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