Irish Tax Institute

June 2025

Special Assignee Relief Programme (SARP) & Foreign Earnings Deduction (FED)

Response to the Department of Finance Questionnaire

Table of Contents

1. About the Irish Tax Institute

The Irish Tax Institute is the leading representative and educational body for Ireland's Chartered Tax Advisers (CTA) and is the country's only professional body exclusively dedicated to tax.

The Chartered Tax Adviser (CTA) qualification is the gold standard in tax and the international mark of excellence in tax advice. We benchmark our education programme against the very best in the world. The continued development of our syllabus, delivery model and assessment methods ensure that our CTAs have the skills and knowledge they need to meet the ever-changing needs of their workplaces.

Our membership of over 6,000 is part of the international CTA network which has more than 33,000 members. It includes the Chartered Institute of Taxation UK, the Tax Institute of Australia, the Taxation Institute of Hong Kong and the South African Institute of Taxation. The Institute is also a member of the CFE Tax Advisers Europe (CFE), the European umbrella body for tax professionals.

Our members provide tax services and business expertise to thousands of Irish owned and multinational businesses as well as to individuals in Ireland and internationally. Many also hold senior roles in professional service firms, global companies, Government, Revenue, state bodies and in the European Commission.

The Institute is, first and foremost, an educational body but since its foundation in 1967, it has played an active role in the development of tax administration and tax policy in Ireland. We are deeply committed to playing our part in building an efficient and innovative tax system that serves a successful economy and a fair society. We are also committed to the future of the tax profession, our members, and our role in serving the best interests of Ireland's taxpayers in a new international world order.

Irish Tax Institute - Leading through tax education

2. Institute Recommendations

The Institute welcomes the opportunity to engage with the Department of Finance on the Special Assignee Relief Programme (SARP) and the Foreign Earnings Deduction (FED).

As both the SARP and the FED are due to sunset on 31 December 2025, we understand the Department of Finance is currently evaluating both reliefs to assess their continued relevance, cost, impact, and efficiency of expenditure. To help us formulate our response to the Department's questionnaire on the SARP and the FED, we undertook a survey of members and sample businesses in May 2025.[1]

The following key recommendations are based on the feedback we received from businesses that have employees who are claiming the SARP and FED and members who advise businesses on making SARP and FED claims. Further details on the findings of the survey are set out in the detailed responses to the questions in the body of this submission.

Institute Recommendations on the SARP

1. SARP is a critical part of Ireland's competitive offering to attract foreign direct investment (FDI) and the relocation of high-value employment to the State. Retaining SARP and continually benchmarking the relief against the incentives offered by key competitor countries is essential to enable Ireland to compete for talent on a global stage.

2. The 90-day timeframe for the employer to certify and submit the Form SARP1A to Revenue should be removed from the part of the legislation that defines a 'relevant employee'. This would ensure that the automatic 'penalty' of refusing the entire SARP relief to an employee arising from a failure by the employer to lodge the notice within 90 days of arrival, would not arise.

3. The 90-day timeframe for the employer to certify and submit the Form SARP1A to Revenue should be extended.

4. To provide certainty to businesses, SARP should be extended beyond its expiry date of 31 December 2025 for a 10-year period to December 2035. This would assist businesses to plan for longer-term projects with the

[1] Irish Tax Institute SARP and FED Survey, May 2025, based on 90 respondents – 20 were businesses with employees claiming the SARP and/or the FED and 70 were tax advisers who provide advice on SARP and/or FED claims. 90% of the business respondents had employees claiming the SARP while 25% of the business respondents had employees claiming the FED. 97% of tax adviser respondents provided advice on SARP claims, while 56% of tax adviser respondents provided advice on FED claims.

knowledge that SARP will remain a core offering under the Irish personal tax system.

5. To qualify for SARP, an individual must have been employed by their employer or an associated company for at least 6 months immediately before arriving in Ireland. In an environment where there are high employment levels and skills shortages in some key areas, consideration should be given to allowing ‘new hires’ to qualify for SARP.

6. A longer timeframe should be provided to file the SARP Employer Return.

7. Section 825C TCA 1997 should be amended to ensure SARP relief can be considered as part of the gross-up calculation in tax equalisation cases. If policymakers do not consider this to be feasible, it is essential that the reduced value of SARP in tax equalisation cases is taking into account when benchmarking SARP against the offerings in other jurisdictions.

Institute Recommendations on the FED

8. The FED plays an important role in encouraging and incentivising Irish businesses to export to new markets. Given the heightened need for Irish SMEs to diversify and develop new export markets in the current uncertain geopolitical environment, it is important that the FED is retained.

9. The attractiveness of the FED to eligible employees should be improved by increasing the level of relief available, in line with the recommendation of Indecon.

10. The range of qualifying countries should be extended.

11. Allowing employers to apply the FED at source to an employee’s salary where the relevant conditions are satisfied would reduce the administrative burden and delays experienced by employees in obtaining the FED.

12. A “qualifying day” must be one of at least three consecutive days spent in a qualifying country. Consideration should be given to allowing the day of departure from Ireland and the day of arrival back into Ireland as qualifying days, as these are an unavoidable part of any business journey to a qualifying country.

The Institute would be happy to engage further in this review process through stakeholder meetings or direct discussions. Please contact Anne Gunnell at agunnell@taxinstitute.ie if you require any further information.

3. Questions on the SARP

Q1. As with all tax expenditures this relief poses a cost to the Exchequer which has to be weighed against the impact that it has in meeting its policy objectives. Could you please provide any specific evidence of the impact of SARP and how you believe it is meeting its policy objectives?

SARP has been an important component in Ireland's competitive FDI offering since its introduction in Budget 2012. It has delivered on its objective to attract individuals with advanced skills and leadership experience, by reducing the cost of assigning these individuals to Irish-based operations.

Independent analysis of SARP has clearly and consistently demonstrated that it delivers value to the Irish economy through job creation and business expansion and that there is a strong policy rationale for its retention[2] with a Benefit-to-Cost Ratio of 1.8.[3]

We note that the Department of Finance adopts the revenue forgone method for the costing of tax expenditures. This is generally estimated by comparing the revenue expected under the current structure versus the revenue expected when the tax expenditure is in place. As this approach assumes no change in the behaviour of individuals or firms, it is recognised that the method can give an exaggerated estimate of the cost of an expenditure.[4]

We consider the evaluation of tax expenditures should be done on a dynamic rather than a static basis. For SARP, in addition to evaluating the revenue foregone, policymakers should also consider the taxes collected from those individuals who claim the relief as a benefit to the Exchequer which would not have arisen but for the availability of SARP.

According to the latest statistics,[5] SARP has directly resulted in an increase of 428 jobs in 2022 and the number of employees retained as a result of SARP in 2022 was 1,569, generating a very significant tax contribution to the Exchequer. These statistics demonstrate the success of SARP in attracting key multinational employees to work in Ireland. The programme is also benefiting a broad range of businesses, with assignees across a range of sectors of the economy, including

[2] Indecon Review of the Special Assignee Relief Programme - Budget 2020 Report on Tax Expenditures Incorporating outcomes of certain Tax Expenditure & Tax Related Reviews completed since October 2018 – October 2019.
[3] Page 40, Budget 2020 Report on Tax Expenditures Incorporating outcomes of certain Tax Expenditure & Tax Related Reviews completed since October 2018, Department of Finance, September 2021 https://assets.gov.ie/static/documents/report-on-tax-expenditures-incorporating-outcomes-of-certain-tax-expenditure-tax-relat.pdf
[4] Tax Expenditures, Tax Strategy Group – 19/12, Tax Strategy Group, July 2019.
[5] SARP Statistics for 2022, Revenue Commissioners, September 2024.

for example, information and communications; financial services; and manufacturing.

Examples of the impact of SARP

In our survey, we asked businesses to provide examples of the impact of SARP on their business and how they believe the measure is meeting its policy objectives. Respondents with SARP employees noted that the relief has helped relocate key employees to grow their business in Ireland. They highlighted the role of SARP in helping to attract employees with specific skills from abroad which could not be sourced in Ireland due to skills shortages. The financial incentive offered by SARP was cited as an important factor by businesses in encouraging employees to take up employment in the State given Ireland's high cost of living and high marginal rax rates.

Members who provide advice on SARP claims observed that the relief makes Ireland more attractive for senior executives to relocate here from lower tax jurisdictions. As moving to Dublin is expensive for employees when compared to other multinational hubs, our members noted that SARP can operate as a 'push factor' helping employers to attract skilled employees from abroad who may not otherwise have been inclined to move to Ireland.

The role of SARP in attracting experienced senior personnel to Ireland which in turn can expand the business presence in the State resulting in key substantive business decisions being made in Ireland was highlighted by members. They also observed that SARP plays an important role in encouraging investment by companies in new or ongoing projects in Ireland.

The objective of SARP is to help reduce the cost to employers of assigning skilled individuals in their companies from abroad, to take up positions in the Irish-based operations of their employer or an associated company, thereby facilitating the creation of jobs and the development and expansion of businesses in Ireland.

In responding to our survey, members underlined that many companies with SARP employees operate tax equalisation programs which means that SARP reduces the employer's cost of employment in Ireland. When companies are considering where to invest, they frequently ask our members to provide estimates of the income tax and social security costs of relocating their employees to Ireland and other countries. Without SARP, the Irish payroll costs would be significantly higher than the payroll costs in many competitor countries and most likely would result in Ireland losing out on investment projects.

“SARP makes a significant difference in convincing senior staff or executives to relocate to Ireland on a medium or long term basis. Marginal tax rates in Ireland are excessive once USC & PRSI are factored in, particularly for individuals that may not remain in the country for long enough to gain any benefit from them.” Comment by a business in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

“*SARP has been a significant financial incentive to attract key talent from abroad to support our business in Ireland. Finding staff locally can be difficult and time consuming. By being able to move current employees from other jurisdictions is highly beneficial for new processes and the set-up of our new manufacturing sites in Ireland.”* Comment by a business in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

“*SARP is great for attracting key employees to Ireland and we have noticed US companies in particular availing of this relief in sending highly paid executives to Ireland to drive business and growth in Ireland.”* Comment by a Tax Adviser in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

“SARP is definitely a crucial relief for employers who want to attract and retain talent within their Irish operations. We note that many employees relocating from the US are disinclined to move to the Irish tax system until we discuss/outline SARP for them.” Comment by a Tax Adviser in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

“SARP relief makes Ireland more attractive for senior executives being asked to relocate here from which, in almost every instance, will be a lower tax jurisdiction. SARP relief is an essential component in my discussions with executives in agreeing to relocate to Ireland. For executives who are tax-equalised to Ireland, the relief helps to mitigate some of the costs of the assignment and make these cost effective and viable from a company perspective.” Comment by a Tax Adviser in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

Q2. What would be the potential impact on businesses of the removal of SARP?

In our survey, we asked businesses about the potential impact if the SARP was discontinued. Respondents noted it would have a negative impact on investment in Ireland and it would hamper global mobility with staff more likely to move to other locations.

Members who advise on SARP claims underlined that the discontinuation of SARP would make it difficult to attract key employees to the State given Ireland’s high marginal tax rates, the high cost of living and the shortage of suitable accommodation. This could lead to a skills shortage for certain roles.

Members also noted that the discontinuation of SARP would make Ireland less competitive compared with other European countries that offer similar tax incentives for inbound talent as payroll costs would increase where the employee is tax equalised.

> *"There are current cost pressures on our business. By having the SARP incentive in place, this offers us a real opportunity versus other jurisdictions to attract high skilled and well paid individuals to Ireland. If we do not have SARP, these individuals could move to other places, hampering new processes and would damage Ireland's reputation for being open to business and FDI."* Comment by a business in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

> *"Increased cost of attracting key personnel & may be difficult to justify investment in Ireland."* Comment by a business in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

> *It would be without a doubt a negative impact - higher costs for staff retention, inability to attract and retain key management members in Ireland. Overall the relief is very valuable and given current economic conditions it would seem very wise to extend the relief to ensure Ireland remains competitive.* Comment by a Tax Adviser in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

> *It may hamper clients in setting up Irish businesses if it becomes unattractive for key employees to relocate to help set up their operations here.* Comment by a Tax Adviser in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

Q3. Are there challenges that arise in meeting the qualifying conditions attached to SARP? Please provide specific examples.

90-day timeframe for the employer to certify and submit the Form SARP1A to Revenue

Respondents to our survey identified the 90-day timeframe for the employer to certify and submit the Form SARP1A to Revenue, and the consequential loss of the relief if the deadline is not met, as the biggest challenge in meeting the qualifying conditions attached to SARP.

This 90-day timeframe can be difficult to meet given the multiple practical issues that a new assignee must address upon his/her arrival in Ireland. Often, the new assignee is taking over a senior role in the company, organising housing and schools for their children and in addition, they must obtain a Personal Public Service Number (PPSN). All of this takes time, and in such circumstances, the SARP notification (Form SARP1A) can be inadvertently overlooked or delayed.

Some employers are not aware of the 90-day timeframe for filing the Form SARP1A prior to the client's arrival which can result in delays. In addition, although the introduction of the eSARP portal and the expediated PPSN application process for SARP employees have been helpful, gathering the necessary documentation for the PPSN application and arranging for the filing of the Form SARP1A can be very time consuming.

Often, the notification may be incomplete because of a delay in obtaining a PPSN. While it is possible to submit the Form SARP1A without the PPSN, it will not be considered certified in accordance with section 825C(2AA)(f) TCA 1997 until the PPSN has been added to the Form SARP1A and the form is successfully 'Certified and Submitted' to Revenue through their online portal.

If the employer fails to certify and submit the Form SARP1A to Revenue within the requisite timeframe, this can result in the refusal of SARP relief to an employee, who would otherwise meet the qualifying conditions. We believe that the application of a rule, which makes a relief dependent on the actions of a third party (the employer), is at odds with the basic principle that a relief is personal to the individual and ultimately, must be claimed on the individual's statutory income tax return. There is no obligation on the individual to claim SARP relief during the year, via payroll. Like any other relief, SARP can be, and in many cases, is claimed by way of a refund at the end of the tax year.

We understand from Revenue that the purpose of the early notification is to gather information for statistical purposes. However, there is a separate statutory requirement obliging employers to provide detailed information on SARP employees and relief claims, on a SARP Employer Return, which is submitted on or before 23 February after the end of each tax year.

In addition, it may not be apparent within 90 days that the employee will in fact qualify for or claim SARP. For example, the employee may not meet the tax residency requirement, or their circumstances may change. As such, the value of the information provided at this point in time is limited.

Refusing the relief on the basis that the employer has not certified and submitted the notice within 90 days can result in what is, in effect, a financial 'penalty' that is entirely disproportionate. For example, where an individual is earning €500,000 per annum, the effective penalty would be as much as €240,000 in total over 5 years, for something that may effectively be outside of their control.

The 90-day timeframe for submitting the Form SARP1A does not enhance the operation of the relief and it can in fact operate to deny relief in circumstances which would not be consistent with the underlying policy objective. We recommend removing the 90-day timeframe from the part of the legislation that defines a 'relevant employee'. This would ensure that the automatic 'penalty' for the employee referred to above, arising from an employer failing to lodge the notice within 90 days of arrival, would not arise.

In addition, we would urge that the 90-day timeframe for submission of the Form SARP1A be extended. Consideration could be given to extending the timeframe to 150 days, in line with the approach adopted on a concessionary basis by Revenue during the COVID-19 pandemic.

Other challenges

Other key challenges in meeting the qualifying conditions attached to SARP which were identified by respondents to our survey included:

- the requirement that individuals claiming the SARP must be an existing employee and cannot be a 'new hire';
- the lack of certainty regarding the extension of the SARP to future years affecting future planning of assignments; and
- the short timeframe provided to file the annual SARP Employer Return.

The requirement for the employee to file an income tax return and to input details of the amount of relief claimed, even in cases where the relief is granted through payroll, was cited as another challenge in claiming SARP.

Respondents also highlighted that Revenue has recently updated their guidance on the calculation of SARP in tax equalisation cases. Prior to 1 January 2024, it was generally understood that SARP relief could be considered as part of the gross-up calculation. However, from 1 January 2024, Revenue's updated guidance[6] requires that SARP relief should not be factored into the initial gross-up calculation and the relief should instead be calculated based on the re-grossed income. This updated guidance has resulted in increased costs for employers for tax-equalised SARP employees.

[6] Special Assignee Relief Programme (SARP), Tax and Duty Manual, Part 34-00-10

Q4. Do you see opportunity to simplify the processes related to the scheme? Please provide detail.

49% of respondents to our survey were of the view that the claims process for SARP could be simplified. 33% of respondents did not consider that the claims process needed to be simplified while 18% did not know.

When asked what part of the claims process could be simplified, most respondents pointed to difficulties with meeting the requirement that the employer submit and certify a Form SARP1A within 90 days of the employee's arrival in the State.

Q5. Are the current salary thresholds, of €100,000 and €1 million, appropriate and in line with policy objectives of SARP to attract highly-skilled individuals to facilitate the creation of jobs and the development and expansion of businesses in Ireland? Should they be adjusted to take account of changes in the wider economic environment since they have last been amended?

45% of survey respondents were of the view that the SARP salary thresholds should be adjusted to take account of changes in the wider economic environment since they were last amended.

Respondents expressed concern that the increase in the lower threshold from €75,000 to €100,000 has reduced the number of employees qualifying for the relief. An example provided related to the shortage of highly skilled technicians in Ireland. Generally, such employees will not qualify for SARP as their remuneration is often between €70,000 and €100,000.

Only an employee's base salary is taken into consideration in determining if the lower salary threshold is met. This requirement can be problematic as it excludes many employees who would qualify for SARP if their total remuneration package (i.e. their basic salary plus bonus) was used to assess whether the lower salary threshold has been met.

Q6. What enhancements could be made to the scheme? Please explain the policy rationale for any suggestions and account for the impact that such enhancements would have on the Exchequer.

Respondents to our survey identified and ranked potential improvements to the SARP as follows:

1. **Amend the legislation so that the employee does not lose the full relief for five years if the deadline to submit the Form SARP 1A within 90 days cannot be met.** (ranked 5.84 out of 7)

   As we outlined in our response to Question 3, if an employer fails to certify and submit the Form SARP1A to Revenue within the required 90-day timeframe, this can result in the refusal of SARP relief to an employee, who would otherwise meet the qualifying conditions. We recommend removing the 90-day timeframe from the part of the legislation which defines a 'relevant employee'. This would ensure that the automatic 'penalty' for the employee, arising from an employer failing to lodge the notice within 90 days of arrival, would not arise.

2. **Extend the 90-day requirement to submit the Form SARP1A.** (ranked 5.45 out of 7)

   As we outlined in our response to Question 3, the 90-day timeframe for submitting the Form SARP1A can be difficult to meet given the multiple practical issues that a new assignee must address upon his/her arrival in Ireland. In our view, the 90-day timeframe should be extended. Consideration could be given to extending the timeframe to 150 days, in line with the approach adopted on a concessionary basis by Revenue during the COVID-19 pandemic.

3. **Extend SARP beyond its expiry date of 31 December 2025 for a 10-year period to December 2035 to provide certainty to businesses.** (ranked 4.87 out of 7)

   Large projects and operational expansions are planned several years in advance of their implementation. Certainty on the cost of obtaining the required expertise and the tax reliefs available to reduce these costs, are factors in the decision-making process. Uncertainty over the direction of tax policy can impact business decisions and potentially risk the opportunity loss of a key project to a competitor jurisdiction.

   To provide certainty to businesses, SARP should be extended beyond its expiry date of 31 December 2025 for a 10-year period to December 2035. This would assist businesses to plan for longer-term projects with the knowledge that SARP will remain a core offering under the Irish personal tax system.

4. **Allow ‘new hires’ to qualify for SARP.** (ranked 4.52 out of 7)

   Currently, the individual must have been employed by their employer or an associated company for at least 6 months immediately before arriving in Ireland. In an environment where there are high employment levels and skills shortages in some key areas, consideration should be given to allowing ‘new hires’ to qualify for SARP. A minimum salary threshold and skills requirement could be applied to ensure the relief does not displace the employment of Irish individuals or encourage recruitment of less costly employees from abroad.

5. **Extend the timeframe to file the Employer SARP Return to later in the tax year.** (ranked 3.52 out of 7)

   In addition to the requirement to submit a Form SARP1A, employers are required to submit the SARP Employer Return, on or before 23 February after the end of each tax year. The timeframe for filing the employer return means, that in practice, returns must be amended more than once as the filing deadline is too early in the year to provide accurate data to Revenue on SARP claims when the SARP employee’s tax return has not yet been prepared. This can also generate additional queries from Revenue to employers. A longer timeframe to file the employer return, for example, 6 months after the year end, would be more practical.

6. **Review the methodology stipulated by Revenue for calculating the SARP relief in tax equalised cases.** (ranked 2.74 out of 7)

   A tax equalisation arrangement is an agreement between an employer and an assignee to ensure the assignee will pay no more and no less tax on assignment than they would have paid had they remained in their home country and had not undertaken an overseas assignment.

   In the absence of such an arrangement, an employer may face difficulties in attracting employees to undertake an assignment to locations, such as Ireland, where personal tax rates exceed those in the employee’s home country. In tax equalisation cases, the availability of SARP is an important factor for the employer in considering the overall cost to the business of locating highly skilled individuals in Ireland.

   As we outlined in our response to Question 3, Revenue has recently updated its guidance on the calculation of SARP in tax equalisation cases. From 1 January 2024, Revenue’s updated guidance requires that SARP relief should not be factored into the initial gross-up calculation. Instead, the relief should be calculated based on the re-grossed income.

The rationale for Revenue's approach appears to be based on the fact that section 825C(2B)(b) TCA 1997 provides for SARP relief on "*income…for the tax year from the employment*". Revenue's view is that the relief reduces the amount of income on which a "*relevant employee*" for SARP purposes is chargeable to income tax and it does not allow the relief to be factored into the calculation of the income upon which the relief is calculated. The impact of this guidance is that taxable pay less tax does not equal net pay. This approach is difficult for employers to understand as it does not seem logical.

As a result of Revenue's updated guidance, the value of SARP in tax equalisation has been reduced. For example, for an employee on a net pay arrangement of €125,000, the updated guidance can result in an additional tax cost of approximately €7,400 which must be funded by the employer.

In our view, section 825C should be amended to ensure that SARP relief can be considered as part of the gross-up calculation in tax equalisation cases. If policymakers do not believe that such a change is feasible, then it would be important that the reduced value of SARP in tax equalisation cases is taken into account when benchmarking SARP against the offerings in other jurisdictions

7. **Other** (ranked 1.06 out of 7)

   Other issues raised by survey respondents included the need to simplify the Form 11 reporting obligations for SARP employees.

Q7. Are there similar reliefs provided for in peer jurisdictions, most notably other EU jurisdictions, that could be replicated in Ireland? Please provide details of these reliefs and why they should be replicated.

The attractiveness of SARP remains vulnerable to competitive pressures. Many jurisdictions offer similar and sometimes more attractive regimes to attract foreign executives, such as Luxembourg, the Netherlands, France, and Portugal. Therefore, it is imperative that SARP is retained and benchmarked on a regular basis against the offerings in competitor jurisdictions for FDI to ensure Ireland remains competitive.

This is even more critical now that Ireland's 12.5% corporation tax rate is no longer a core competitive offering. In benchmarking SARP against equivalent regimes, care should be taken to ensure the Irish relief reflects emerging working arrangements and international norms regarding the types of remuneration that qualify for relief, for example, share options and Restricted Stock Units which are used extensively as part of the remuneration of high-performing employees and executives.

When asked about similar reliefs provided in competitor jurisdictions, respondents to our survey noted that the regimes in the Netherlands and Denmark were more straightforward and easier to manage. Survey respondents also noted that less stringent deadlines generally apply in other jurisdictions. In some European countries, approval from the tax authority is not required with the relief applying on a self-assessment basis.

Q7. Can you provide your observations on the recommendations of the Commission on Taxation and Welfare (CoTW) with regard to SARP, in particular in relation to the following;

The Report of the CoTW recommended that SARP should be subject to further restriction and that its continuation should be subject to regular review as part of the tax expenditure review process. It noted that potential restrictions that could be considered include:
i) the application of a higher effective rate,
ii) further curtailment of the upper threshold of the relief, or
iii) restricting allowable expenses to those available to assignees generally – this would curtail allowable travel expenses and remove the allowance for school fees.

The majority of respondents to our survey did not agree with the proposed restrictions recommended by the CoTW. Respondents noted that such restrictions would make Ireland a less competitive location for international talent and decrease Ireland's attractiveness as a location for investment.

Q8. Are State aid considerations required for any of the measures suggested in your response? If yes, please provide details.

No.

Q9. What do you think are the top two priority proposals which you have outlined that should be implemented in regard to SARP, and why?

SARP has been used effectively by many multinationals to attract the necessary senior management from parent locations, like the US, to Ireland. It has helped to support and sustain substance in Ireland, by ensuring that profits attributable to the Irish operations are correctly aligned with value creation in the State.

Retaining SARP and continually benchmarking it against the offerings in key competitor countries is essential to enable Ireland to continue to compete for talent on a global stage.

As outlined in our response to Question 6 above, the two most important legislative amendments needed to enhance SARP are:

i. The 90-day timeframe for the employer to certify and submit the Form SARP 1A should be removed from the part of the legislation that defines a 'relevant employee'. This would ensure that the automatic 'penalty' of refusing SARP relief to an employee due to the employer's failure to lodge the notice within 90 days of arrival, would not arise.

ii. Extend the 90-day timeframe for submission of the Form SARP1A.

4. Questions on the FED

Q10. As with all tax expenditures this relief poses a cost to the Exchequer which has to be weighed against the impact that it has on meeting its policy objectives. Could you please provide any specific evidence of the impact of FED and how you believe it is meeting its policy objectives?

The FED is an income tax relief available to employees who temporarily carry out their duties overseas in specific countries, earmarked by the Government as potential export markets. The FED plays an important role in encouraging and incentivising Irish businesses to export to these new markets. Independent analysis has shown that the policy objectives of the FED remain valid with a Benefit-to-Cost Ratio of 2.2.[7]

Respondents to our survey highlighted the FED's role in encouraging employees to undertake international business trips to qualifying countries. As some of the qualifying countries may be considered unappealing destinations for travel, for example due to safety concerns, the FED can be a significant factor in persuading employees to undertake business trips or short-term assignments in those instances.

> *"We export financial services to a large number of countries which are included on the FED list and other countries not on the FED list. FED is a very important benefit for us when requesting staff to travel overseas (sometimes for an uncertain number of days or weeks) on behalf of the company. Some of these countries are not holiday destinations so without FED, employees are less likely to want to travel to these countries. We have done business with companies in Korea, Saudi Arabia, Mexico, Vietnam and Thailand and having employees travel to these countries and represent us has been extremely important."* Comment by a business in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

> "*FED provides a great incentive for Irish based employees to travel to qualifying countries. It provides a benefit."* Comment by a business in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

[7] Page 111, Budget 2020 Report on Tax Expenditures Incorporating outcomes of certain Tax Expenditure & Tax Related Reviews completed since October 2018, Department of Finance, September 2021 https://assets.gov.ie/static/documents/report-on-tax-expenditures-incorporating-outcomes-of-certain-tax-expenditure-tax-relat.pdf

Q11. What would be the potential impacts to business of the removal of FED?

According to the respondents to our survey, if the FED was discontinued it would have a very negative impact for companies as it would be more difficult to persuade employees to undertake duties in qualifying countries.

Without the FED, the cost of doing business overseas would increase as it would be more costly for companies to incentivise and motivate key employees to undertake necessary business trips to qualifying countries to develop export markets.

"*Disincentive to travel hindering growth in developing markets*." Comment by a business in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

"*It would be very difficult to persuade employees to undertake duties in these countries without the tax relief from FED*." Comment by a Tax Adviser in response to the Irish Tax Institute Survey on the SARP and FED, May 2025

Q12. Are there challenges that arise in meeting the qualifying conditions attached to FED? Please provide specific examples.

To qualify for the FED, the employee must work temporarily for at least 30 qualifying days in any of the qualifying countries. A 'qualifying day' must be one of at least three consecutive days, spent in a qualifying country, substantially devoted to the performance of duties. Revenue guidance notes that time spent travelling from Ireland to a relevant state or from a relevant state to Ireland and or to another relevant state is deemed to be time spent in a relevant state.

Revenue explains that this means that the day of arrival in the relevant state can be counted, provided the individual left the State the previous day and the day of departure from the relevant state can be counted, provided the individual does not arrive back in the State until the following day.[8]

The requirement that a qualifying day be one of at least three consecutive days and Revenue's interpretation of this requirement can be problematic. One example provided to us was from a business which frequently sends employees on foreign business trips. The business noted that while the business trip may be three or four days in total including travel days, such trips will not qualify for the FED as the day of departure from Ireland and the day of arrival back into Ireland are not considered qualifying days.

[8] Deduction for income earned in certain foreign states (Foreign Earnings Deduction), Tax and Duty Manual, Part 34-00-09.

Q14 Do you see opportunity to simplify the processes related to the scheme? Please provide detail.

57.1% of survey respondents did not believe that the claims process for the FED could be simplified. 28.6% of respondents considered the claims process could be simplified, while 14.3% responded did not know.

Suggestions from respondents on how the claims process could be simplified included allowing a form of real-time relief. Currently, in order to claim the FED, an employee must wait until after the end of the tax year to apply to Revenue for the relief with a statement from their employer, which includes the relevant details (i.e. dates and locations worked abroad). This process means that there can be a significant delay in the employee obtaining the benefit of the relief.

Allowing employers to apply the FED at source to an employee's salary where the relevant conditions are satisfied would reduce the administrative burden and delays experienced by employees in obtaining the FED. It would also provide Revenue with greater visibility of the number of people claiming the relief in any given year.

Q15. FED contains a number of conditions which are listed below;
a) List of relevant countries
b) Current allowance limit of €35,000
c) The number and calculation of qualifying days

Should any of these conditions be amended? Please provide your rationale for any suggested changes.

Expand the range of qualifying countries

The FED is available to Irish tax-resident employees who work temporarily for at least 30 qualifying days in any of the 30 listed countries (which includes the BRICS[9] and certain Middle Eastern, South American, Asian and African countries).

In its 2019 review of the FED, Indecon recommended that the range of qualifying countries should be extended and proposed that the FED should apply to all countries in Asia, Africa, South America and Antarctica.

75% of survey respondents were of the view that the range of qualifying countries should be extended. When asked about any additional countries that should be considered a qualifying country for FED, respondents made a broad range of

[9] Brazil, Russia, India, China, and South Africa.

suggestions including: Argentina, Jordan, Kazakhstan, Morocco, Philippines, Uzbekistan, all countries in Africa and Latin America; and any non-Double Taxation Agreement countries.

In light of recent developments in global trade, the need to accelerate progress on diversifying and growing Irish export markets has increased and therefore, we believe it would be appropriate for the range of qualifying countries to be extended.

Increase the relief available under the FED

The amount of relief that can be claimed under the FED depends on the individual's salary and the number of days spent working abroad in FED listed countries in a year. In any case, the most that any employee can claim under the FED is income of €35,000 per year, which results in a maximum tax refund of €14,000 (€35,000 x 40%) per employee. The relief does not apply to USC and PRSI. Notably the €35,000 cap has not been increased since the FED was first introduced in Finance Act 2012.

In any business that is export focused, senior management and sales teams are required to travel to meet and engage with potential customers and to explore and develop new business opportunities. Often Irish SMEs are unable to rely on wider brand reputation, compared with established multinationals, to build new customer relationships. This can result in frequent and extended visits to new markets by key personnel to deepen customer confidence in new business relationships.

In this context, the relief available under the FED is relatively low (i.e. the relief is capped at €14,000). 64.3% of respondents to our survey considered the limit of €35,000 for FED claims should be increased with respondents highlighting that the current limit is insufficient to persuade employees to work overseas.

Indecon's 2019 review of the FED recommended that consideration be given to increasing the level of relief as it found that the measure is unlikely to provide a sufficient incentive to overcome the significant business and personal costs for many employees of spending time in overseas markets. Indecon also observed that the current cap may not incentivise more senior staff to spend time abroad to develop new export markets.

In line with the recommendation of Indecon, we believe that the attractiveness of the FED to eligible employees should be improved by increasing the level of relief available. This could be done either by increasing the cap from the current level of €35,000 or extending the relief to include PRSI and USC.

Calculation of qualifying days

As noted in our response to Question 12, in considering if the requirements for a 'qualifying day' has been met, Revenue guidance states that the day of arrival in the relevant state can be counted, provided the individual left Ireland the previous day and the day of departure from the relevant state can be counted, provided the individual does not arrive back in Ireland until the following day.[10]

Consideration could be given to allowing the day of departure from Ireland and the day of arrival back into Ireland as qualifying days as these are an unavoidable part of any business journey to a qualifying country.

Q16. What enhancements could be made to the scheme? Please explain the policy rationale for any suggestions and account for the impact that such enhancements would have on the Exchequer.

We have outlined a number of potential enhancements to the FED in our responses to Questions 14 and 15. Respondents to our survey ranked potential improvements to the FED in the following order:

1. Enhance the attractiveness of the FED to eligible employees by increasing the level of relief available.

2. Expand the range of qualifying countries.

3. Reduce the delay for employees in obtaining the benefit of the FED by allowing the credit to be applied at source to an employee's salary when the conditions are satisfied.

As we outlined in our response to Question 15, consideration could be given to allowing the day of departure from Ireland and the day of arrival back into Ireland as qualifying days as these are an unavoidable part of any business journey to a qualifying country.

In addition to the improvements needed to increase the attractiveness of the FED, a number of technical amendments to the legislation underpinning the FED are required to provide certainty to taxpayers.

- Section 16(1)(a) Finance Act 2014 amended section 823A TCA 1997 to change the definition of a qualifying day for the purpose of the relief. The amendment was stated to "*have effect for the years of assessment 2015, 2016 and 2017*"*.* As no extension of this provision was ever legislated for, this could

[10] Deduction for income earned in certain foreign states (Foreign Earnings Deduction), Tax and Duty Manual, Part 34-00-09.

be viewed as meaning that for 2018 onwards the original Finance Act 2012 definition of a qualifying day is reinstated. We do not believe that this is the intention. Notably, Revenue's guidance[11] on the FED confirms the Finance Act 2014 definition of a qualifying day continues to apply.

- The number of days required to be spent in a qualifying country was reduced from 60 days to 30 days by section 11(1)(b) of Finance Act 2016. This amendment was stated to have effect for the years of assessment 2017, 2018, 2019 and 2020. As no extension was ever legislated for, this could be viewed as meaning that a 60-day requirement now exists. We do not believe that this is the intention. In fact, Revenue's guidance[12] on the FED confirms that the requirement is for the individual to have spent "*minimum of 30 qualifying days working in one or more of the relevant states from 2017*".

Q17. Are there similar reliefs provided for in peer jurisdictions, particularly in other EU jurisdictions, that could be replicated in Ireland? Please provide details of these reliefs and why they should be replicated.

We understand that tax reliefs similar to the FED for periods spent working abroad while in full-time employment are not common internationally. In its 2019 review of the FED, Indecon suggested this may in part reflect the fact that very few countries are as dependent on exports as is the case in Ireland.

Q18. Can you provide your observations on the recommendations of the Commission on Taxation and Welfare (CoTW)with regard FED, in particular in relation to the following;

The Report of the CoTW recommended that the qualifying criteria of FED be reviewed to ensure the measure is utilised by claimants in a manner consistent with its original policy objective.

71% of survey respondents considered the FED is utilised in a manner which supports its objective of encouraging Irish businesses to export to new markets.

In our view, the enhancements to the FED which we have outlined in our response to Question 16 would further ensure that the FED is effective in achieving its policy objective of incentivising Irish businesses to develop new export markets.

[11] Deduction for income earned in certain foreign states (Foreign Earnings Deduction), Tax and Duty Manual Part 34-00-09, at page 8.
[12] Ibid.

Q19. Are State aid considerations required for any of the measures suggested in your response? If yes, please provide details.

No.

Q20. What do you think are the top two priority proposals which you have outlined that should be implemented in regard to FED, and why?

The potential enhancements to the FED which respondents to our survey considered the most important were:

i. increasing the level of relief available under the FED; and
ii. expanding the range of qualifying countries.