



An Roinn Airgeadais  
Department of Finance

# **Review of Tax Arrangements for Remote Working – 21/03**

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Department of Finance  
[www.gov.ie/finance](http://www.gov.ie/finance)

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# 1. Introduction

1. The Programme for Government, Our Shared Future<sup>1</sup>, acknowledges the potential benefits of remote work and includes a commitment to facilitate and support remote working. The onset of COVID 19 brought this issue to the fore and although remote working was already increasing across Ireland, the rate of adoption of remote work has accelerated rapidly.
2. According to Eurostat data, the rate of remote work in Ireland has increased considerably over the pandemic, rising from 20% to 32%. In addition, the most recent National Remote Working Survey (April 2021) indicates that 95% of those who have worked from home over the pandemic want to continue to do so in some form after the crisis<sup>2</sup>.
3. The national remote work strategy, Making Remote Work<sup>3</sup>, aims to build on this progress and ensure that remote work is a permanent feature of the Irish working experience in a way that maximises the economic, social and environmental benefits.
4. The Department of Enterprise Trade and Employment's 2019 Remote working Report<sup>4</sup>, outlined the benefits of remote working and the role it can play in achieving social objectives such as labour market participation, attracting and retaining talent, enabling balanced regional development, alleviating accommodation pressures, improving work/life balance, improving child and family wellbeing, reducing the amount of time spent commuting, and reducing transport related carbon emissions and air pollution.
5. Finally, the national remote work strategy, Making Remote Work, commits the Tax Strategy Group to "review the current tax arrangements for remote working in respect of (i) employees and (ii) employers and assess the merits of further enhancements for consideration in Budget 2022. This paper takes account of the economic, financial and organisational implications arising from the experience of remote working during the pandemic.
6. The following report has regard to the above factors and is comprised of an overview of the existing tax arrangements for remote working and an ex-ante evaluation of any proposed further enhancements having regard to the Department of Finance Guidelines for Tax Expenditure Evaluation.

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<sup>1</sup> <https://www.gov.ie/en/publication/7e05d-programme-for-government-our-shared-future/>

<sup>2</sup> <http://whitakerinstitute.ie/project/remote-working-during-covid-19-irelands-national-survey/>

<sup>3</sup> <https://www.gov.ie/en/publication/51f84-making-remote-work-national-remote-work-strategy/>

<sup>4</sup> <https://enterprise.gov.ie/en/Publications/Publication-files/Remote-Work-in-Ireland.pdf>

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## 2. Covid-19 and Remote Work in Ireland

7. Working arrangements in Ireland shifted significantly over a relatively short period precipitated by the Covid-19 pandemic and the imposition of public health restrictions. The Department of Finance, in its publication *“Economic Insights – Summer 2021, July 2021”* addresses the issue of the impact of Covid-19 on remote working in Ireland. Some of the main findings and conclusions are summarised in the following paragraphs.
8. The share of employees who ‘usually or sometimes’ work from home increased by 16 percentage points from 22% in 2019 to 38% by the end of 2020. At the same time, the numbers who ‘never work from home’ fell from 78% to 62%.
9. While there is currently no concrete data on the actual number of remote workers in Ireland at present, combining Eurostat and Revenue data<sup>5</sup> gives an estimate of approximately 875,000.
10. Knowledge intensive service sectors saw large increases in remote working, including ICT (42% remote work share in Q4 2019); finance and real estate (31%); and professional, scientific and technical services (39%). These sectors had additional capacity for remote work, with Q4 2020 remote work shares increasing significantly to 86%, 73%, and 67% respectively in response to the mitigation measures. The Public sector saw a particularly large increase in the rate of remote working, up 45% from 11% in Q4 2019 to 56% in Q4 2020.
11. Customer facing and contact intensive sectors, such as accommodation and food (8% in Q4 2019), wholesale and retail (12%), and other, including personal services (21%), had limited capacity for increasing remote work during periods affected by public health restrictions. As a result, these sectors had more negligible year-on-year growth in Q4 2020 of -3%, 6%, and 9% respectively. These sectors also experienced high job loss rates as compared to those sectors that saw large increases in remote working.
12. According to the ESRI paper from May 2020, *Who Can Work From Home in Ireland*,<sup>6</sup> males, Irish nationals, workers aged over 30, full-time employees and those in higher-paid occupations have a higher probability of working from home, as do non-essential employees relative to essential employees. Couples with children are more likely to work from home compared with lone parents.
13. Preferences for remote work have grown significantly, with over 95% of remote workers now favouring some form of remote working. While the numbers wanting to engage in daily remote work has increased 20% (from April 2020) to almost one-third of workers surveyed in April 2021, only 5% favour a return to office on a full time basis<sup>7</sup>.
14. The extent to which those changes will become permanent and the precise future of work arrangements remain unclear as yet. Further analysis is recommended to assess the impacts that a permanently larger remote work share may have on growth in the economy, including in terms of impacts on productivity.

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<sup>5</sup> <https://www.revenue.ie/en/corporate/documents/statistics/registrations/covid-19-support-schemes-statistics-15-july-2021.pdf> According to Revenue in June 2021 there were 2.73m employments. Note that an individual may be engaged in more than one employment.

<sup>6</sup> <https://www.esri.ie/system/files/publications/SUSTAT87.pdf>

<sup>7</sup> <http://whitakerinstitute.ie/project/remote-working-during-covid-19-irelands-national-survey/>

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## 3. Current Tax Treatment

### 3.1 Remote Working Definition

15. From a tax perspective, Revenue considers that remote working or e-working<sup>\*</sup> is where an individual is required to: (1) work at home on a full-time or part-time basis, or (2) work part of the time at home and the remainder in the normal place of work.

16. Remote working involves:

- Working for substantial periods outside the person's normal place of work;
- Logging onto the employer's computer system remotely;
- Sending and receiving email, data or files remotely;
- Developing ideas, products and services remotely.

The Revenue guidance specifically excludes employees who, in the normal course of employment, choose to bring some work home in the evening or at weekends, etc.

17. In order for an employee to qualify as an e-worker, for the purposes of claiming income tax relief for expenses incurred in working from home, the following conditions must be met:

- There must be a formal agreement in place between the employer and the employee under which the employee is required to work from home;
- An employee must be required to perform substantive duties of the employment at home; and
- An employee must be required to work for substantial periods at home.

### 3.2 Current tax relief available to employees

18. There is currently no designated tax credit available to employees for remote working because expenses incurred by homeworkers are considered an expense of the business of their employer, and such a cost should therefore be borne by the employer in the running of their business rather than the employee. Any such costs incurred wholly and exclusively for the purposes of the business by an employer (for example, the provision of equipment and covering home working expenses such as heat and light) may be deducted by the employer in the normal course of calculating the tax liability of their business.

19. In certain circumstances it is acknowledged that e-workers may incur particular expenditure in the performance of the duties of the employment when working remotely. Expenses such as additional heating, electricity and broadband costs are allowed as a deduction for income tax purposes.

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<sup>\*</sup> <https://www.revenue.ie/en/jobs-and-pensions/eworking/index.aspx> and <https://www.revenue.ie/en/tax-professionals/tm/income-tax-capital-gains-tax-corporation-tax/part-05/05-02-13.pdf>

20. Capital items such as laptops, computers, office equipment and office furniture purchased by an employee are not allowable tax deductions.
21. However, a Benefit-In-Kind (BIK) charge does not arise on the employee where equipment, such as computers, printers, scanners and office furniture, is provided by the employer to enable the employee work from home. The provision of a telephone line, broadband and such facilities for business use will also not give rise to a BIK charge, where private use of the connection is incidental.
22. There is a Revenue administrative practice in place, whereby the employer can choose to make a contribution of €3.20 per day tax free to employees to reimburse him or her for the costs incurred in working from home or alternatively the employee can make a claim directly to Revenue at the end of the year for such costs.
23. Where an employer makes a payment of up to €3.20 per day tax-free to e-working employees, such a payment can be made without deducting PAYE, PRSI or USC. Such taxes would normally apply to emoluments related to employment duties. Amounts in excess of €3.20 paid by the employer should be subject to income tax, PRSI and USC as normal.
24. As employers who choose to make a payment of €3.20 per day to e-working employees are not required to inform Revenue, there is no data available to quantify the number of employers and employees availing of this practice.
25. Where an employer does not pay €3.20 per day to an e-worker, the employee is not entitled to claim a round sum of €3.20 per day. However, where additional expenses are incurred, the employee is entitled to claim a marginal rate deduction under section 114 of the Taxes Consolidation Act 1997 (TCA 1997) in respect of the following actual vouched expenses incurred wholly, exclusively and necessarily in the performance of their duties of employment:
- Electricity and heat - 10% of cost of electricity and heat apportioned on the basis of the number of days worked from home over the year.
  - Broadband - 30% of the cost of broadband apportioned on the basis of the number of days worked from home over the year. This concession, introduced at the time of Budget 2021, commencing in tax year 2020, will apply for the duration of the pandemic.
26. In relation to employees who make a claim for the additional electricity and heat and broadband costs that they incur, it is anticipated that 2020 is likely to be the first year that many e-workers would have been able to avail of this measure. As such, it may be the case that there is a significant increase in claims for 2020. Provisional Revenue data from May 2021, suggests that for the tax year 2020, almost 70,000 claims have been submitted, amounting to approximately €9m. This is unlikely to be final figure for such claims, as taxpayers have up to four years to claim expenses.

27. As the current system enables employers to choose whether they make a payment of €3.20 for e-worker expenses, this may give rise to inequity as those employees who receive this payment are likely to receive a greater amount than those employees who seek a tax deduction in respect of their actual vouched electricity, heat and broadband expenses.
28. For example, if an employee works remotely for two days per week and receives a payment of €3.20 from their employer, they could receive €294 tax-free per year, rising to €732 if they worked remotely five days per week.

Alternatively, initial indications suggest that the average claim by employees for vouched electricity and heat and broadband expenses is for remote working under Section 114 TCA 1997 is approximately €130<sup>9</sup>, amounting to a benefit of €26 per year if paying tax at the standard rate, and €52 if paying tax at the marginal rate.

### 3.3 Current tax relief available to employers

29. Employers may incur a range of additional costs to enable their employees to work from home. These may include, for example: additional computer equipment; office furniture; re-imbursement of certain costs incurred by the employees (as set out above); and postage/courier costs for delivering documents or equipment to and from employee homes.
30. The taxable trading and professional income of a business is computed based on accounting profits as adjusted to conform to tax law. While tax law specifically disallows deductions for certain expenses including capital expenditure (being the cost of buying or maintaining land, buildings or equipment), the central test of deductibility is whether the expense has been “wholly and exclusively laid out or expended for the purposes of the trade or profession”. Therefore, where businesses incur COVID-19 related costs of a revenue nature and where those costs were incurred to allow the business to carry on its trade or profession (for example, reimbursing home working expenses such as heat and electricity), they will be deductible in computing taxable profits.
31. Tax relief for capital expenditure wholly and exclusively incurred for the purposes of the trade or profession may be available through the capital allowances regime. In general, capital allowances are claimed at 12.5% per-annum over an eight-year period. Therefore, where businesses provide equipment to employees to enable home working, such as computers or office furniture, these costs already qualify for deduction through the capital allowances regime.

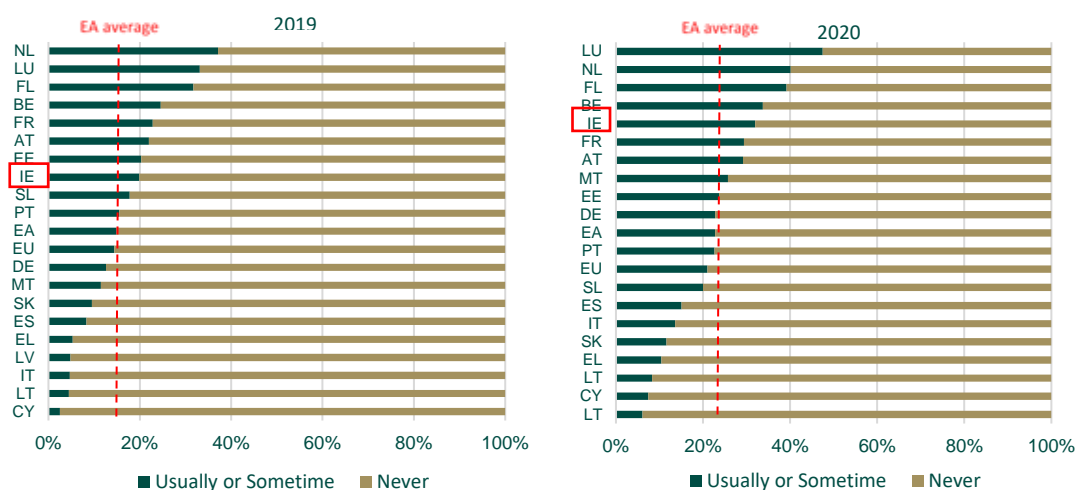
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<sup>9</sup> Based on provisional data from Revenue - €9 million / 70,000 claims

## 4. International Comparisons

32. As noted in the Department's recent publication, Ireland had an above average share of remote working prior to the pandemic on an annual average basis in 2019, it also saw above average increases in the share during the pandemic. According to Eurostat data, prior to the pandemic, in 2019, Ireland had on average around 20% of total employment engaged in remote work on a 'usually or sometimes' basis – above the Euro-Area average of around 15%. Following the introduction of the public health restrictions in 2020, the share of remote workers in Ireland increased by 12% to 32%, which is higher than the growth in remote working for the euro area at 8%<sup>10</sup>.

**Figure 1: remote work share 2019 and 2020, annual share of total employment<sup>11</sup>**



Source: Eurostat; Department of Finance analysis. Data on an average basis

33. Set out below are outline details of current tax supports available to those working from home in the United Kingdom, the Netherlands and Germany. It seems clear that arrangements in this space are undergoing change at present. Also, it is notable that despite the quantum of support provided to employees within the tax code in Germany, the degree of remote working remains below the EU average whereas the Netherlands has one of the higher rates of remote working in the EU but does not currently have a per diem rate of support for same through the tax system.

### 4.1 United Kingdom

34. In the United Kingdom (UK) an employee may claim tax relief on £6 per week for additional household costs if they have to work from home, without needing to provide evidence of expenses, or on the total amount of extra costs incurred with supporting documentation. This relief cannot be claimed, however, if you choose to work from home.

<sup>10</sup> <https://www.gov.ie/en/publication/3751e-economic-insights-summer-2021/> - section 2.4

<sup>11</sup> <https://www.gov.ie/en/publication/3751e-economic-insights-summer-2021/> - Figure 14



35. It is understood that the UK also allows employers to claim capital allowances for the provision of equipment to enable home working and that any reasonable reimbursement of staff costs associated with working from home are also tax deductible for the employer. In addition, in respect of qualifying expenditures incurred from 1 April 2021 up to and including 31 March 2023, the UK allows companies to claim:

- a super-deduction providing capital allowances of 130% in the year of purchase on most new plant and machinery investments that ordinarily would be written off at 18%; and
- a first year allowance of 50% on most new plant and machinery investments that ordinarily qualify for 6% special rate writing down allowances<sup>12</sup>.

## 4.2 Netherlands

36. The Netherlands was the EU member state with highest percentage of employees working from home on a full-time or part-time basis, before the pandemic. The Netherlands experienced a below average growth in remote working between 2019 and 2020, albeit from a much higher base.

37. Under the Dutch work-related costs scheme (WKR)<sup>13</sup>, introduced in 2015, companies may provide employees with tax-free reimbursements, allowances or benefits in kind. This includes reimbursements for internet at home and the necessary office equipment including computers and communications equipment. In addition to this, the Dutch Government are considering introducing a permanent measure that would allow employers to reimburse, tax free, their employees for the additional extra costs associated with working from home. The Dutch National Institute for Family Finance Information (NIBUD) preliminary results indicate that an amount of €2 per day would be an appropriate estimate of these extra costs.

38. From 2015 until late 2020, companies could reward their employees up to a maximum of 1.7% of the company's first €400,000 in wage costs and 1.18% on the balance with no tax liability. This is called the discretionary scope and, from 2021 onwards, the rate for the first €400,000 has increased to 3%.

39. It is understood that the Netherlands also allows employers to claim capital allowances for the provision of equipment to enable home working and that any reasonable reimbursement of staff costs associated with working from home are also tax deductible for the employer.

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<sup>12</sup> Source: the UK government's "Super deduction factsheet"  
([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/967202/Super\\_deduction\\_factsheet.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/967202/Super_deduction_factsheet.pdf)).

<sup>13</sup> <https://business.gov.nl/regulation/work-related-costs-scheme/>

## 4.3 Germany

- 40. Germany's rate of remote work both pre pandemic (13%) and in 2020 (23%) was below the EU average.
- 41. Each employee receives a tax deduction of €1,000 per year in respect of employment related expenses. This is provided on an un-vouched basis and has been in place since before the Covid-19 Pandemic.<sup>14</sup>
- 42. As part of the German Finance Act 2020, a Home-Office Lump Sum measure was also introduced, which provides relief for employees who work from home<sup>15</sup>. This is calculated at €5 per day, up to a maximum of 120 days in a year. Therefore, the maximum benefit is €600 per year, however, this amount is included in the statutory sum mentioned above. Any amount claimed above this €1,000 must be vouched.

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<sup>14</sup> <https://lsth.bundesfinanzministerium.de/lsth/2019/A-Einkommensteuergesetz/II-Einkommen/4-Ueberschuss-der-Einnahmen-ueber-die-Werbungskosten/Paragraf-9a/inhalt.html>

<sup>15</sup> <https://amtliche-handbuecher.bundesfinanzministerium.de/lsth/2020/B-Anhaenge/Anhang-19/II/inhalt.html>

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## 5. Ex-Ante Evaluation

43. The following analysis follows the methodology set out in the Department of Finance Guidelines for Tax Expenditure Evaluation.

### 5.1 What objective does the tax expenditure aim to achieve?

44. As outlined in the Programme for Government, Our Shared Future, Government policy is to facilitate and support remote work.

45. The national remote work strategy, Making Remote Work, aims to ensure that remote work is a permanent feature of the Irish working experience in a way that maximises the economic, social and environmental benefits.

46. The Department of Enterprise Trade and Employment's 2019 Remote Working Report defined the benefits of remote working and the role they can play in achieving social objectives such as labour market participation, attracting and retaining talent, enabling balanced regional development, alleviating accommodation pressures, improving work/life balance, improving child and family wellbeing, reducing the amount of time spent commuting, and reducing transport related carbon emissions and air pollution.

47. For the purposes of this review, the focus is on the merits of further enhancements to the current tax arrangements for remote working in line with commitment in the national remote work strategy.

### 5.2 What market failure is being addressed?

48. As discussed in the 2014 Department of Finance Tax Expenditure Guidelines, the primary justification for departing from a neutral tax system is the existence of a market failure, i.e. a situation where an imperfection in the market mechanism prevents the achievement of economic efficiency. If there is no market failure, interventions such as tax expenditures will lead to inefficiency and deadweight.

49. With regard to individuals' preferences for remote working, as noted above according to the National Remote Working Surveys the preference for remote working has grown significantly during the pandemic, with over 95% of remote workers now favouring some form of remote working. This suggests that there is no need to actively incentivise remote working from an employee's perspective.

50. It is acknowledged that employees may experience costs that they would otherwise not incur due to remote working such as additional heat, electricity and increased broadband reliance. This is balanced however by potential savings associated with working from home such as reduced commuting costs, as well as potential improvements in employees' work/life balance and reduced commuting time.

51. A recent Fórsa survey<sup>16</sup> reveals a mixed experience of the personal financial effect of home working, with 49% of respondents saying they spend less on transport and other costs, while 48% say they incur extra household costs (such as heating) that they would not incur at work.
52. From the employers' perspective, a report by the National Competitiveness and Productivity Council<sup>17</sup> notes that enterprises could benefit from remote working arrangements by gaining access to a broader pool of talent and promoting retention. In terms of productivity, the Council noted that remote working can improve or hamper productivity, so it is important to implement the right policies to minimise the negative effects and maximize the positive effects of the adjustment to new work practices.
53. Traditionally employers bear the infrastructural and utility costs associated with retaining employees rather than this falling directly on employees. The National Competitiveness and Productivity Council's report indicates the potential savings that may arise for employers arising from remote working - *"a move away from large-scale headquarters in expensive city-centre locations not only provides cost savings for firms in terms of office rental or acquisition, but also potentially reduces related costs like electricity, lighting, heating, cleaning and catering."*
54. The report also notes that while remote work could be cost effective from a firm's perspective, it would be important that any savings generated from reduced expenditure on a central office are not eroded by the costs associated with providing a remote working option to employees. Further, some enterprises may still be obliged to pay for centrally located office space and have the cost burden of setting up and managing two workplaces, with potentially additional costs in terms of insuring the company's property at the employee's home and contributions to an employee's increased costs of electricity, heating and broadband.
55. The Department of Enterprise, Trade and Employment, recently published a summary of the submissions received as part of the public consultation on the right to request remote working, which included a question asking if the employer should bear the cost of providing all equipment for a remote working arrangement as well as covering the cost of the maintenance<sup>18</sup>.

In response, 85% were in favour of the employer bearing the cost, while 10% were not in favour and 5% suggested a 50/50 split for hybrid, with the employee providing furniture and the employer providing IT/ICT equipment. Some 12% of those who responded

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<sup>16</sup> <https://www.forsa.ie/wp-content/uploads/2020/08/DBEI-consulation-august-2020.pdf>

<sup>17</sup> <http://www.competitiveness.ie/publications/2021/ncpc%20rw%20bulletin%202021-3%20-%20final.pdf>

<sup>18</sup> [https://enterprise.gov.ie/en/Publications/Publication-files/Submissions-Report-Right-to-Request-Remote working.pdf](https://enterprise.gov.ie/en/Publications/Publication-files/Submissions-Report-Right-to-Request-Remote%20working.pdf) - question 7

suggested the introduction of a Government grant or tax incentive similar to the Cycle-to-Work scheme.

56. An important dynamic when considering the feasibility of enhancing tax arrangements for those working from home is the potential shifting of the traditional overhead costs of employment from the employer to the State, which has implications for the wider body of taxpayers including those who are not in a position, for whatever reason, to work remotely. At the same time, available evidence suggests that there are wider economic and societal benefits that may arise from remote working to the benefit of all. Nonetheless, as acknowledged in the Department of Finance document “*Economic Insights – Summer 2021, July 2021*” further analysis is required to better understand the potential structural changes which remote working may bring.
57. The initial shift to remote working on a wide scale basis was necessitated as a response to Covid-19 and the introduction of public health restrictions. With employees increasingly favouring remote working and the fixed capital costs of the remote work shift already undertaken by employers – a significant share of this change is likely to persist<sup>19</sup>.
58. Ideally, to ensure the most efficient use of public money, policy interventions ought to be developed under stable market conditions. It is widely accepted that a blended or hybrid approach will exist in some shape going forward, however, at present a transitional period is underway as employees and businesses assess and determine what precise approach best suits their needs and business model.

### **5.3 Is a tax expenditure the best approach to address the market failure?**

59. As noted in the 2014 Tax Expenditure Guidelines, while the existence of a market failure can create a strong justification for State intervention, it does not imply that a tax expenditure is the most efficient form of intervention. The market failure could possibly also be remedied by other means including by direct expenditures, such as grants, or by regulation.
60. There are a number of concerns around equity that would need to be considered if a tax measure were to be introduced for remote workers. Tax expenditures are potentially regressive as only those who pay taxes qualify and those with the greatest income tend to benefit the most. This raises the question as to whether or not a tax expenditure would be the best means to support remote working should it be determined that a policy intervention is required to support the public policy direction in this area.
61. Specifically in terms of the personal income tax system, horizontal equity could be adversely affected by enhanced tax arrangements for remote working as not every worker

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<sup>19</sup> <https://www.gov.ie/en/publication/3751e-economic-insights-summer-2021/> - section 2.6

has the ability to work remotely. As noted above, essential workers are less likely to have been able to work remotely, and those sectors for which remote working was more prevalent tended to be least affected by COVID-19.

Similarly, vertical equity could also be adversely affected as it would appear that potential for working from home was more prevalent among higher income cohorts, than those on lower wages. In addition, marginal rate deductions are worth more to those who pay more tax and therefore, depending on the form of the tax relief, could also benefit higher earners more and thus negatively affect vertical equity.

## **5.4 What effect will this tax expenditure have on the economy?**

62. As discussed in the Department's recent publication, Covid-19 has precipitated a structural change in the way in which people work, and increased remote work will likely remain a permanent feature of the Irish working experience into the future.
63. From the employees' perspective, there remains a strong and growing preference to remote work at least several times per month, with an overwhelming majority of 95% of those surveyed wishing to continue working remotely in some form. This suggests that further enhancements of the existing tax arrangements for remote working are unlikely to have any significant effect on employees availing of remote working, should that be offered as an option by their employer.

While there is limited data outlining employers' preferences as regards the future of remote working, it is understood from informal reports and engagement with stakeholders that the interest amongst firms to implement hybrid arrangements for remote working is high<sup>20</sup>.

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<sup>20</sup> For example, according to a survey by Dublin Chambers, as of Q4 2021, 81% of companies have plans to enable increase remote/flexible working post Covid-19 - [https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dublin-Chamber\\_Remote-and-Flexible-Working\\_Quantitative-and-Qualitative-Data\\_Feb-2021-FINAL.pdf](https://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dublin-Chamber_Remote-and-Flexible-Working_Quantitative-and-Qualitative-Data_Feb-2021-FINAL.pdf)

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## 6. Options for Consideration

64. The final element of the ex-ante evaluation relates to how much the proposed measure is expected to cost.
65. As discussed earlier, it is not clear that there is in fact a market failure that requires State intervention as both employees and employers already appear to support the move towards a remote working model, with evidence of such moves underway. Given the scale of support for some degree of remote working, there is likely to be a very large deadweight factor associated with any new tax expenditure to incentivise remote working at employee level.

There are also equity concerns from the perspective of the personal income tax system, as well as broader policy questions around the potential for shifting elements of the traditional costs associated with being an employer from employers to the State.

Thus, if Department of Finance Tax Expenditure Guidelines are the sole frame of reference against which a decision should be made, the case for introducing enhanced supports for remote working through the tax system is not a strong one.

66. However, in the context of a whole of Government policy to facilitate and support remote working, it may be considered appropriate nonetheless to enhance or amend the current tax arrangements in order to underline and reinforce the public policy decisions in this area. The following options are put forward for consideration.

### 6.1 Legislative amendments

67. As noted previously, the current tax arrangements for remote working are operated by Revenue on an administrative basis. These arrangements could be formalised by putting forward legislative amendments so that the current tax arrangements are placed on a statutory footing. This would have the benefit of providing certainty to employees and employers.
68. For example, in 2020, Revenue agreed that for the duration of the pandemic, where an employer does not contribute towards an employee's working from home expenses, the employee could claim 30% of the apportioned broadband expenses. This could be put on a permanent footing to ensure employees could continue to claim this relief after the pandemic.
69. Section 118 5C and 5D sets out certain exemptions to benefits-in-kind with respect to high speed internet and computer equipment (text of legislation at Annex). The text of these provisions could be updated to include a modern definition of broadband, as well as an expanded and updated definition of computer equipment, to include office equipment such as desks and chairs.

70. Taken together these would be cost neutral measures that would provide certainty to employers as regards their options for providing employees with the equipment necessary to carry out their duties. It would also provide certainty to employees regarding their statutory entitlement to claim for the additional expenditure they incur as a result of working from home.

## **6.2 Introduce a per-diem working from home tax relief**

71. A per-diem working from home tax relief, of say, €1.50 for each day the employee works from home, could be introduced and claimed by employees on a self-assessment basis.
72. Consideration would need to be given to the interaction between this measure and existing measures, with decisions to be taken around the curtailment or removal of current supports.
73. The aim of this relief would be to reduce the perceived administrative burden on employees so that a set amount per day can be claimed, which would eliminate the need for employees to keep track of their electricity, heat and broadband costs over the year.
74. The relief would be targeted in that it can only be claimed for each day worked from home, which may assist in reducing deadweight and inefficiencies, while also supporting the policy objective of encouraging working from home. However, issues of equity in the personal tax system would remain.
75. This option may assist in eliminating current potential inequities if the current arrangements, whereby employers may pay up to €3.20 per day, to employees, tax free with no benefit-in-kind arising, were replaced with this new per diem relief for all employees.
76. However, this may further contribute to the transfer of the burden of employer-related costs from the employer to the State.
77. For indicative purposes, assuming circa 500,000 individuals were eligible for this relief, with those individuals working from home on average two days per week, a tentative estimate for this measure would be around €21 million<sup>21</sup>. (More information on methodology is included in the Appendix.)

## **6.3 Bespoke tax credit for remote workers**

78. It is understood that stakeholders would prefer a stand-alone remote working tax credit. Such a measure would provide an attractive benefit to remote workers and the use of credits would allow the measure to be implemented quickly for 2022.

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<sup>21</sup>  $(500,000 \times 1.5) \times (2 \times 46 \text{ working weeks in a year}) \times 0.3$  (estimate for tax relief due to standard/marginal rate relief).



79. However the issues of deadweight, inefficiencies and equity noted above would remain. Further, it would be necessary to define qualifying criteria and potentially a minimum eligibility qualifying criteria to avail of the criteria that may necessitate distinctions be drawn between those that work from home on a full time basis and those that work from home on a part time basis.
80. Stakeholders have proposed the introduction of a remote work tax credit, with varying suggestions as regard the amount of any credit.
81. It is estimated that the cost of this measure would be approximately €25m for every €50 of tax credit provided.<sup>22</sup>

## **6.4 Enhance the current tax arrangements**

82. The Department of Enterprise, Trade and Employment put forward a proposal to enhance the current tax arrangements in place by increasing the percentage limits for electricity and heat that can currently be claimed, to either 20% or 30%.
83. It was acknowledged that this option would be considerably cheaper and results in significantly less deadweight, however, from their research, stakeholders are likely to prefer an across the board tax credit.
84. On the basis of 400,000 individuals claiming the relief for two days per week over the average of 46 working weeks in a year, the Department of Enterprise, Trade and Employment, estimated that the incremental cost of increasing the allowable percentage for electricity and heat from 10%, to 20% or 30% would cost approximately €4.3 million or €8.6 million respectively.

## **6.5 €50 increase to the PAYE and EITC**

85. As outlined earlier, a specific tax relief for remote working raises equity questions as not all workers have the capacity or option to work remotely due to the nature of their employment which may require a physical presence in the workplace.
86. To counter this issue, consideration could be given to an increase in the tax credit for all PAYE and self-employed workers. While this measure does not have a specific policy aim, it would take account of the equity issues noted above and give a benefit to all workers in the State, with annual income in excess of €16,500 (in the case of a single person).
87. In addition to providing a benefit to those working from home such a measure would also benefit full-time workers who have continued to work this year in their regular place of work – including minimum wage workers and front-line workers. Instead of enhancing the tax arrangements of remote workers, in the interests of equity, this measure would enhance the tax arrangements for all PAYE and self-employed workers.

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<sup>22</sup> Credit\*500,000

88. It could, therefore, recognise the unique and varied work environment that all citizens have endured throughout the pandemic – something for nearly every worker, however, this could potentially be considered a base-narrowing measure.
89. Using existing credits is straight forward for citizens to understand and would allow the measure to be implemented quickly for the 2022 without need for new systems to be developed before the end of the year to allow it to be applied.
90. The Exchequer cost is an estimated €85m<sup>23</sup>.

## 6.6 “Super” accelerated capital allowances

91. Stake-holders have proposed that Ireland should introduce a similar scheme to the UK’s temporary “super” accelerated capital allowances scheme, described at 4.1 above. Accelerated Capital Allowance (ACA) schemes generally allow up to 100% deduction for the cost of qualifying equipment in the first year, while enhanced allowances such as the UK super allowance scheme may allow deduction of a multiple of the equipment cost. Recommendations received varied from proposals that all plant and machinery (P&M) should qualify for “super” ACAs, to proposals limiting the relief to: (i) P&M designed to make business premises safer for customers and/or staff during the pandemic; or (ii) P&M that facilitates staff to work remotely.
92. As previously noted, where businesses incur capital costs wholly and exclusively for the purposes of the business, capital allowances will be available at 12.5% per-annum over an eight-year period. However, a limited number of ACA schemes already exist in Irish legislation providing 100% up-front deduction for qualifying costs, generally targeted at incentivising certain specific types of expenditure (such as on energy-efficient equipment, gas-powered vehicles, and employer-provided fitness and childcare facilities for staff).
93. A “super” ACA scheme similar to that offered in the UK could have the effect of encouraging capital investment as companies emerge from the pandemic. However, it is noted that it could also reduce the incentive effect of the existing ACA schemes, where relevant.
94. The Exchequer impact of an accelerated capital allowance would be net neutral over an eight-year time-frame, as it would represent the acceleration of a deduction already provided under tax legislation. It would have the potential to have a significant temporal cost in the years in which the relief was active however, particularly if the relief extended beyond P&M provided to facilitate home-working.
95. Revenue’s annual research reports on corporation tax<sup>24</sup> include details of capital allowances for P&M claimed by companies each year, comprising capital allowances used

<sup>23</sup> 2.73m employments less non tax paying of c.1 million = 1.7m\*50 = €85m

<sup>24</sup> <https://www.revenue.ie/en/corporate/information-about-revenue/research/research-reports/corporation-tax-and-international.aspx>

to reduce current year taxable profits and excess amounts carried forward for offset as losses in later accounting periods. Capital allowances claimed by companies for P&M grew over the period 2016 to 2019 from €28.5bn to €38.4bn, suggesting that companies made additional investments over that period. Based on these figures, an accelerated capital allowance or super-deduction for all plant & machinery investments would therefore have the potential to generate significant Exchequer exposure in the years of the accelerated claim, albeit that it would net out to cost neutrality over the longer term.

96. It is difficult to estimate the potential cost of accelerated allowances for equipment provided for remote working only without detailed projections as to up-take and the cost per employee. However, as an indicative rough estimate:

- assuming that an employer incurred a cost on average of €400 per employee for office furniture and computer equipment; and
- based on the estimate of 875,000 remote workers;
- this would equate to a cost to employers of €350 million;
- currently qualifying for tax relief mainly at the 12.5% CT rate, therefore reducing tax by €43.7 million over the eight-year writing-down period.
- An accelerated allowance would see that full cost moved into the first year, as set out below, resulting in an Exchequer cost in year 1 of c. €38 million.

	Year 1 €m	Year 2 €m	Year 3 €m	Year 4 €m	Year 5 €m	Year 6 €m	Year 7 €m	Year 8 €m
Current relief	5.47	5.47	5.47	5.47	5.47	5.47	5.47	5.47
ACA relief	43.75	-	-	-	-	-	-	-
Exchequer Impact (cost)	(38.28)	5.47	5.47	5.47	5.47	5.47	5.47	5.47

97. It is also noted that there could be administrative and legislative difficulties in designing a relief intended for additional costs incurred in respect of working from home only. For example, would it apply only where an employer incurs additional costs (such as the provision of a home desk or computer equipment *in addition* to existing office-based equipment) or would it apply also where an employer provides only remote equipment, and how would mobile equipment for use in both locations (such as laptops) be treated?

98. Finally, it is also noted that many employers will have already incurred expenditure of this nature in 2020 and 2021, and any relief introduced would be of benefit for future expenditure only.

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## 7. APPENDIX

### 1. Costing Methodology – Per-diem working from home tax relief

99. Due to the limited data available, it is challenging to provide a precise costing for this option. As noted in this paper, there is currently no concrete data on the actual number of remote workers in Ireland at present. Combining Eurostat and Revenue data gives an estimate of approximately 875,000<sup>25</sup> employments that could potentially be carried out remotely. Prior to the pandemic, the remote working share was 22% of total employments, which gives an estimate of approximately 600,000 employments.

Separately, in their recent publication<sup>26</sup>, SOLAS estimated that prior to the pandemic, approximately 507,000 people either usually worked from home (193,000) or sometimes worked from home (314,000). The overall number of those working from home increased by the end of 2020 to approximately 860,000 people (668,000 usually worked from home and 192,000 sometimes worked from home).

Both data-sets capture a broad spectrum of employment arrangements, some of which may not necessarily come within the scope of a definition of a remote worker or e-worker, for example, farmers, childminders, sole traders and the self-employed working from home. Further, at the end 2020 the public health advice was to work from home where possible. Taking these factors into account, the figure of 875,000 for remote working may be overstated.

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<sup>25</sup> 32% of total employments 2.73 million according to <https://www.revenue.ie/en/corporate/documents/statistics/registrations/covid-19-support-schemes-statistics-15-july-2021.pdf>

<sup>26</sup> <https://www.solas.ie/f/70398/x/0313655eeb/summer-skills-bulletin-2021.pdf> - section 2





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