

Tax implications for mobile workers

An increasing number of employees work regularly in two or more countries, which can lead to complications

BY MARY O'HARA

International assignees who accept an overseas posting inevitably face important decisions concerning their financial affairs. An increasing number of employees work regularly in two or more countries, which also gives rise to financial and other complications.

Relocation and mobility is fraught with a myriad of difficulties and clear advice on the taxation consequences and financial issues, relating to both the home country and the country of work, can be of benefit in ensuring a smooth transfer.

This is the case for individuals who move to Ireland to work, whether short term or long term, as well as mobile employees who spend time working in Ireland.

As a starting point, it is important to understand some of the basic principles.

Scope of taxation in Ireland

For tax purposes, Ireland consists of the Republic of Ireland and its territorial waters. The main tax with which an international assignee will be concerned is income tax.

In addition, however, capital taxes may apply which are levied on the purchase of residential property, on sales of assets and on assets passing by gift. Whether or not you are resident in Ireland, income tax is usually chargeable on income arising in Ireland and on income for services performed in Ireland.

The tax position with regard to other income and gains depends on your residence status and on your domicile. If you are uncertain about your residence position, or



Relocation and mobility is fraught with difficulties on the taxation consequences and financial issues

the taxability of any income, you should obtain professional advice.

If you are not domiciled in Ireland, but are Irish resident you can, with careful planning, reduce your tax liabilities through a number of exemptions and reliefs as you will be treated as a qualifying person for the purposes of the Remittance Basis of Taxation (RBT).

For example, certain qualifying foreign income and foreign capital gains in the hands of qualifying persons are not subject to Irish tax unless they are received or remitted to Ireland.

Prior to January 1, 2010, RBT also applied to Irish citizens who were not ordinarily resident in Ireland. However, these individuals no longer qualify to receive the benefit of RBT.

The tax year

The tax year in Ireland is aligned to the calendar year. The 2014 tax year begins on January 1, 2014, and ends on December 31, 2014.

Methods of calculating tax

Income from all sources, which is chargeable to Irish tax, is aggregated and after deduction of certain allowances and reliefs, it is taxed at progressive rates of income tax.

The income tax liability may



Mary O'Hara

then be reduced through the availability of tax credits. Details of current tax rates and credits are contained in our annual publication Tax Facts.

All income is taxable in the year in which it arises. Special rules apply to income from self-employment and cessation.

Capital gains tax and capital acquisitions tax (inheritance/gift tax) are separate taxes, the rates and exemptions for which are not related to income tax.

Married couples/same-sex registered civil partners

For the purposes of income tax and capital gains tax, the income and gains of a married couple/

same-sex registered civil partners are normally included in the same tax return (joint assessment).

It is possible to nominate the "chargeable spouse", that is, the spouse/civil partner who is responsible for submitting the tax return and to whom the Irish tax authorities address correspondence.

The residence, ordinary residence and domicile of a spouse/civil partner are determined independently and may be different. This is relevant in determining the amount of income or gains which is subject to Irish tax.

Separate assessment

Either spouse/civil partner may elect to be assessed to tax separately. In these circumstances each spouse/civil partner receives a proportion of the tax credits and reliefs. The total tax liability will be the same as for joint assessment.

Single assessment

Either spouse/civil partner may elect to be assessed as a single person for income tax purposes. The tax credits, reliefs, and tax rates are those applicable to single individuals. The total tax liability under this system may be greater than for joint assessment.

Domicile

Domicile is a complex legal concept, which has several critical implications for Irish taxation. Essentially, domicile is the country which is considered to be your permanent home, and is distinct from legal nationality and from residence.

On birth, you acquired a domicile of origin, normally your father's domicile. You can acquire a domicile of choice by making a permanent move away from your domicile of origin and by severing ties with that country.

Marriage does not, in itself, cause a change in the domicile of either party.

In a federal system, the place of domicile is always one particular state or province, and not the country.

If you are an international assignee and if, prior to your present visit, neither you nor your parents have ever spent more than temporary periods in Ireland, you will, under current practice, be regarded as not Irish domiciled for tax purposes throughout the period of your assignment to Ireland provided you intend to leave Ireland at the end of that period.

Mary O'Hara is HR services partner with PwC

People Problems

Relationship Breakdown

Redundancy illustrates danger of snap decisions

BY GERALD FLYNN



Gerald Flynn

Making an employee redundant is a serious matter, but too often, managers jump to hasty decisions. This can happen more frequently where there is a geographic gap between an employee and their boss, and particularly where reporting lines are blurred.

These were factors for Martina Barrett in her job as branch manager with GEA Farm Technologies based in Carrigtwohill, Co Cork.

In early 2009, Barrett joined the company as office manager for the Irish operation of the British company GEA Westfaliasurge, which specialises in dairying technology, such as milking machines and feeding systems for cows.

Barrett had experience in the agri-sector and dairying industry, and was appointed to run the Irish end of the business at a time when GEA had ambitions to increase its sales. She started running GEA Farm Technologies (Ireland) Ltd from her home, and later set up the office and warehouse and hired additional staff in consultation with management in Britain. Barrett's British boss was also appointed as the director of the new Irish business. Prior to his leaving GEA in March 2010, he appointed Barrett to the position of branch manager.

Nine months later, a new technical director was appointed to the Irish operation, following a review of the sluggish take-off of business here. It was agreed that a lack of technical support was one of the reasons for low sales, and Barrett welcomed the arrival of a new director who might have technical skills and experience, complementary to her own organisational skills.

She continued reporting to her boss in Britain and was surprised, some months later, when her annual appraisal was conducted by the recently arrived technical director. She asked for clarification about her role, and reporting lines, along with confirmation that she was branch manager, and claimed that GEA Westfaliasurge never responded to her requests.

In early November 2011, Barrett was told by her two line managers in Britain that her job was at risk of being declared redundant, and she was asked if she had any proposed alternative to being made redundant. The business was losing money in Ireland, but sales increased in 2011 and it was decided to take the losses and invest in additional sales staff. Going over the costs, they decided that by making Barrett redundant, they would save her €43,500 salary. For an extra

€4,000, they could employ a sales person and "a low-level administration person". They had discussed this restructuring with the German bosses in GEA's parent company.

Barrett proposed that they consider employing her part time or as a self-employed contractor, but this proposal was rejected as it would then cost an extra €15,000.

At a meeting at the end of November 2011, the Irish director and one of her British managers reviewed GEA Farm Technologies' performance and cost levels. All of Barrett's proposals were rejected, and it was explained that the best savings could be achieved by replacing her with "a low-level administration person".

The British GEA representatives adjourned for a short while and returned to tell the branch manager that they had decided that she should be made redundant with immediate effect. Barrett was taken aback, having been working six-day weeks and on some Sundays for the firm. She declined to appeal their decision, and instead took a claim to the Employment Appeals Tribunal for unfair dismissal and outstanding holiday payments.

Last month, the tribunal accepted that GEA Farm Technologies was entitled to restructure to address trading difficulties and did initiate a consultation process. Based on the evidence, however, it concluded that the decision to make the branch manager redundant had been made before the review meeting, and that her alternative role proposals were not adequately considered by the company, whose decision-making process was found to be too fast and immediate.

For these reasons, the Employment Appeals Tribunal determined that the dairying machinery supplier should pay Barrett €45,000, plus just over €1,000 in accrued holiday entitlements, on top of whatever small redundancy payments she had received in 2011.

The case demonstrates how important it is to have clear reporting lines and to clarify people's positions, job titles and roles from an early stage.

Gerald Flynn is an employment specialist with Align Management Solutions in Dublin. gflynn@alignmanagement.net

Working Week

Experience has taught me the value of tenacity

Alan O'Neill is founder and managing director of Kara Change Management. Founded in 1998, Kara helps blue-chip businesses to implement growth strategies aimed at increasing sales. Kara's clients include Selfridges, Jimmy Choo, Fáilte Ireland, Lavazza, Glanbia, and Bank of Ireland. The services the company offers centre on customer service, change management, and staff productivity, and it recently launched a bootcamp-style workshop for publicans.

What are the main responsibilities of your job?

I am responsible for key account management, which entails taking time to understand the challenges faced by the client and then tailoring bespoke programmes to support them. I look after team development, and keep an eye on trend analysis, to ensure we give quality support and stay relevant.

What are your main professional motivators?

Even the very best and successful companies will agree that they could be doing better. I like nothing more than tak-



Alan O'Neill, founder and managing director of Kara Change Management

ing time to discover, design and deliver great programmes that add tangible value to a client's culture and business results.

How would you describe your work style?

I am empathic, structured, practical and commercial.

What rates as the best decision you have made in business?

Consultancy services can often be fluffy and hard to

pin down. We developed our services into clear tangible offers, which brought clarity to clients and the team. We help clients to draw inspiration from case studies and theory, but adapt them to suit the situation. We simplify complex issues.

What is the most valuable lesson you have learned?

With my first business venture in 1982, I was refused banking finance seven times. I got it on the eighth attempt and

learned that it pays to be tenacious, and not give up.

Who do you most admire in Irish business?

Two groups in particular: all those people who had dark days in the bad times and still get on with it; and all those young entrepreneurs who have a dream and follow through.

In terms of doing business in Ireland, what do you think is the biggest challenge we face?

We lost our way somewhat in the Celtic tiger years and we were spoiled. We didn't have to try too hard to sell. We now need to re-focus on the basics again, such as customer service.

All businesses can learn from some basic retail principles – for example, footfall x conversion x average spend = sales. The practical ambition for any business is to maximise the spend of every customer today and in the future, and that they refer you to a friend. Customer satisfaction is the biggest driver of that.

What is your ultimate professional goal?

To make our services available to a wider global audience across all industries.

Movers & Shakers

Brought to you by Michael Page
Worldwide leaders in specialist recruitment

Michael Page



■ **Eoin Lively** has rejoined the O'Callaghan Hotel Group as chief financial officer. Lively was employed by the group in the same position for one year until 2006, when he joined Reox as head of operations and finance of subsidiary Alchemy Properties.



■ **Arvato Financial Solutions** has appointed Rainer Majcen as chief executive, Global Finance and Accounting, and managing director, Finance Services. He joins from Arvato's parent company Bertelsmann, where he was senior VP of corporate development.



■ **Margaret Gorman** is joining Eversheds as head of education and senior associate solicitor specialising in education and employment law. Gorman has been deputy chief executive and in-house solicitor with CPSMA for five years.



■ **Freshways** has appointed a new development chef. Laura Carbery was previously development chef with Bakers Coffee Company for nine months and assistant tutor at Dublin Cookery School for seven months.



■ **Ian Mullin** is joining Freshways as head of innovation. He has been product development executive with Nature's Best for two years, having been product developer with Zumo International for four years before that.



■ **Melissa O'Grady** is Fitzpatrick Castle Hotel's new business development manager. O'Grady is joining from the D Hotel, part of the Edwards Hotel Group, where she was the events, meetings and weddings coordinator for close to two years.



■ **Acorn Dublin** has appointed a new executive creative director. David Cowser is joining from Darkhorse where he was a creative director for five years. Before that, he was a senior copywriter with Publicis Dublin for five years.



■ **Nick McGivney** is joining Acorn Dublin as head of copy. He was formerly brand strategist and digital activation lead with Edelman Digital for six months and in the five years prior worked as a self-employed content and copywriter and digital strategist.

Looking for the top talent? Ready for your next opportunity?
With 156 offices across 34 countries we have an unrivalled network of talented professionals and world-class job opportunities. Get in touch with our Dublin office now to find out how we can help you. Tel: +(353) 01 653 9800
www.michaelpage.ie