PERFORMING ARTS FORUM

TAX AND EMPLOYMNENT IN THE ARTS // FACTSHEET

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Tax & Employment in the Arts
// Factsheet

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Self-Employment - The Advantages

Being self-employed means you are carrying on your own business rather than working for an employer. With this, there are advantages and disadvantages.

From a financial view point the primary advantage of being self-employed is that you are given greater flexibility in the expenses you can claim for tax purposes. Costs allowable under the PAYE system (where you are employed by another person or company) are very limited in comparison.

There are more tax planning opportunities available to the self-employed. For example, suppose you had intended carrying out repairs on your business/rehearsal/performance space next year. You also plan to travel for 6 months and you know that you won't be earning much income. However, this year you're earning quite a lot and you know your income will be taxed at the higher tax rate. You could bring forward the planned renovation to the current year, as it will be tax deductible at the higher tax rate. Being able in part to control the timing of your expenses and income allows you to maximise the tax break.

If you are a self-employed writer you may qualify for the Artists Tax Exemption. The tax exemption is only available to the self-employed - so you must be registered, or become registered, as self-employed to avail of this tax break. You can be in employment part-time or full-time (earning PAYE income) while also being considered self-employed for your other work which qualifies for the Artist Tax Exemption. Note that you only receive the tax exemption on your self-employed artist income - that is your creative earnings. If you have a PAYE position that involves doing creative work that would otherwise qualify for artist exemption, it will fail to do so on the grounds that it is a PAYE position. The Artists Tax Exemption is dealt with in more detail towards the end of this Factsheet.

Other advantages of working for yourself include:

- The flexibility it affords
- Greater control over your work/life balance
- Retaining responsibility for the direction of your career
- Increased potential for financial reward
- Added motivation.

Self-Employment - The Challenges

One of the main challenges of being self-employed is that your income can be sporadic, especially when starting out. You alone are responsible for the amount you can earn, so motivation and a determination to succeed are key.

To be self-employed and it work as a business you may need to broaden your range of business skills. You are responsible for every aspect of your work. For example, all self-employed individuals have a duty under health and safety law to ensure that their working environment complies with health and safety legislation (you can read a text on Health and Safety for Artists on this website here). You will also need to learn about bookkeeping and cash-flow management (See text on Budgeting and Financing here). If you're not careful you may end up spending more time running your business than doing the work that attracted you to self-employment in the first place.

Once you become self-employed you fall within the provisions of *self-assessment* for tax purposes. This means that you are personally responsible for ensuring that your tax affairs are kept up to date.

Keeping on top of your tax obligations requires discipline. Most self-assessed taxpayers pay their income tax in one lump sum each year, which requires effective budgeting so that the cost can be met on an annual basis.

So, there are many additional stresses that come with working for yourself, another one being that as a self-employed individual you cannot receive holiday or sick pay from an employer. Ultimately, being your own boss and making a successful business for yourself is hugely rewarding, and if you’re willing to accept the additional risk and stress involved it is worth the extra effort.

Registering as Self-Employed

Once you become self-employed, and if your self-employed income less allowable expenses is more than €5,000 in a tax year, it will be necessary to register with Revenue for Income Tax. This can be done after the tax year has ended as you may need to get to the end of the year to calculate if you have gone above €5,000 in self-employed income after expenses.

(If your self-employed income less allowable expenses is less than €5,000, the net income can be included in a simple Income Tax Return via MyAccount (look for “Review Your Taxes”) or on a paper form 12 linked here).

If one of the following applies:

1. You are registered for MyAccount
2. You are registered for Revenue Online Service (ROS)
3. You are represented by a Tax Agent (accountant or tax advisor).

Then you must register for Income Tax via MyAccount/ROS/your tax agent. This is a threestep process and may take a number of days. This is a more efficient process than filling out the form TR1 referred to below.

If none of the above three scenarios apply to you then you can complete a paper form TR1, which is available on the Revenue website here. Parts A & B need to be completed to register for Income Tax. This form is also used to register for VAT, PAYE (if you are an employer) and for RCT (Relevant Contracts Tax - this is used in the construction, forestry and meat processing industries and will not be relevant to most artists or arts workers). Thus, much of the form will not be applicable when you first register for income tax. VAT is explained in more detail in this VAT article here.

Separate to registering for Income Tax, (and if you are not using a Tax Agent to file your tax returns via ROS), you must register for ROS in order to file your income tax return (Form 11) online. This can be done here. Once you have ROS up and running, you can manage all of your tax affairs using the service. This includes managing your PAYE tax affairs.

If you know that your self-employed income after expenses will be above €5,000 for the tax year, then it is advisable to register for income tax as soon as you begin trading. Again, you may need to get to the end of the tax year to figure out if your self-employed income less allowable expenses has gone above €5,000. Normally, you must file and pay your tax for each year by 31 October of the following year, but Revenue offer a "year's grace" for the first year of filing. For example, if you started trading in 2023 then you are not required to file your first tax return until 31 October 2025, at which point you must also file for the tax year 2024. (Note: Revenue usually offer an extension to the income tax deadline of approximately two weeks if the tax return is filed **and the tax paid** online, via ROS. This extension is usually announced around April each year.)

Artist Exemption – Importance of Registering in the Tax Year

It is important to note that although the income tax registration can be backdated as is necessary, **the Artist Tax Exemption application is not as flexible**. The exemption must be applied for before the end of the current year if it is to apply from the 1st January of that year. So, if you are a writer and you started earning income from writing in 2024 - and need the exemption to be in place for that year - then you must have registered for income tax as well as applied for Artist Tax Exemption by 31 December 2024. If you didn't apply for Artist Exemption in the first year in which you earned writing income which might have been considered exempt, apply as soon as possible so that the Artist Exemption (if successful) will be applied from the start of the year in which you apply). More information on Artist Exemption below.

Being Employed (PAYE) as well as Self-Employed

Many individuals have a PAYE position (i.e. are in employment part-time - for example teaching or theatre work) in addition to their self-employed income. Or they might go from one PAYE employment to the next, with gaps in between – and also have self-employed income throughout the year.

(Note: Since 1 January 2019, Revenue have been operating a system known as PAYE modernisation. This system means that employers must provide real time information to Revenue in relation to payments made, and tax deducted through the PAYE system. This overhaul of the PAYE system has resulted in a need to ensure that an individual's tax credits and cut off are allocated to the correct employer before any payments has made. This can best be achieved via MyAccount or ROS.) But from time to time, a phone call to Revenue at 01 738 3636 is necessary. If possible, ring when lines open at 9.30am to avoid a long wait.)

This can provide a good balance, which works well in practice. The PAYE employment provides a regular income as well as entitlements to social welfare benefits that might otherwise be foregone.

(There used to be an additional benefit; the PAYE Tax Credit (Employee Tax Credit) was slightly higher than the Self-Employed Tax Credit (Earned Income Tax Credit). This benefit disappeared at the end of 2020. These credits are now the same amount - €1,875 in 2024.)

When earning income from both PAYE/employment and self-employment it is still necessary to register for income tax under the self-assessment system. The employer will deduct the necessary PAYE/PRSI/USC from the employment income. The Total Income, i.e., employment and self-employed income, is declared to Revenue in the Tax Return. The tax is calculated on the Total Income - and the taxpayer receives a credit for the tax that has already been paid on the PAYE/employment income. Any taxable welfare payments received in the year should also be declared on your income tax return. Note that Social Welfare and PAYE income are usually pre-populated on the return. A list of taxable and non-taxable social welfare payments can be found here.

Being Unemployed as well as Self-Employed

As a self-employed taxpayer you may still be entitled to some form of unemployment benefit from the Department of Social Protection, and you should not need to de-register as self-employed in order to claim such benefits. This is a fairly new support which came in towards the end of 2019 and is called Jobseeker's Benefit (Self-Employed).

There are three separate Jobseekers payments available; Jobseekers Benefit, Jobseekers Benefit (Self-Employed) and Jobseekers Allowance.

In order to qualify for any of the Jobseekers payments you must be available for and genuinely seeking work.

Jobseekers Benefit and Jobseekers Benefit (Self-Employed) is taxable (under Income Tax – not USC or PRSI) along with your other income in the year.

Jobseekers Allowance is means tested and is non-taxable, regardless of how much other income you earn in the year.

Very broadly, in order to qualify for Jobseekers Benefit in addition to having a certain amount of overall PRSI contributions, you must have worked as an employee (full time or part time) in the last 4 years, paying Class A PRSI on that income. More details on Jobseekers Benefit, including further conditions and current rates, can be found here.

Jobseekers Benefit (Self-Employed) came into effect on 1 November 2019 and is a new type of support available for self-employed individuals. In addition to having a certain amount of overall PRSI contributions, to qualify for Jobseekers Benefit (Self-Employed) you must have paid PRSI on self-employed income (Class S) through a Form 11 Tax Return in the 'relevant tax year'. The relevant tax year is the second-last complete tax year before the year in which your claim is made. So, for claims made in 2024, the relevant tax year is 2022. More details on Jobseekers Benefit (Self-Employed), including further conditions and current rates, can be found here.

If you do not qualify for Jobseekers Benefit, or if you only qualify for a reduced rate, you can ask to be assessed for Jobseekers Allowance, which may be more beneficial to your circumstances. Jobseekers Allowance also has the advantage that it is not taxable when added to any other income you might earn in the year.

In order to qualify for Jobseekers Allowance your 'means' must be below a certain level. As well as assessing your existing household income, the Department of Social Protection will also ask for details on any assets, investments, savings...etc., that you own. This is known as means testing, the conditions of which can be found here.

You can apply for regular Jobseekers Allowance as per the above paragraph, or, if you qualify, you can apply for the Scheme for Professional Artists on Jobseeker's Allowance. This would mean you do not have to take part in the Department's activation programme for one year, allowing you to focus on your artistic work for that year. The rates of payment are the same as for Jobseeker's Allowance. To qualify, in addition to the requirements for regular Jobseekers Allowance, you must be a member of one of the listed certifying professional organisations here, be registered as self-employed with Revenue, and at least 50% of your income must be derived from your work as a professional artist in the previous year. Additional guidance is given here.

The Department of Social Protection introduced a service called Intreo a number of years ago which provides a single point of contact for all employment/unemployment and income supports. Full details of the service can be found here. If you think you may be entitled to some form of unemployment benefit you should contact your local Intreo office, which can be located through here.

Record Keeping

Once you become self-employed it is necessary to maintain proper books and records to enable you to make your returns to Revenue. This is a requirement according to Revenue legislation and becomes important if your business and tax affairs are ever selected for a Revenue audit. More details on this here.

Recording Income & Expenses

When invoicing clients, the following information (where appropriate) should be included:

- Your name and address
- Name and address of the customer
- Date of issue of the invoice
- Date of supply of the goods or services
- Full description of the goods or services
- Quantity or volume of the goods supplied
- Cost of the goods or services
- Sequential invoice number.

As well as **keeping copies** of all invoices issued and received you will need to **record the details** of all your sales and purchases.

Allowable Expenses

You can claim for any business expense that you have incurred in order to earn your profits. These expenses are normally referred to as revenue expenditure. Revenue expenditure can be seen as the day to day running costs of your business, and may include such items as:

- Writing and trade specific materials
- Training specific to your trade or profession
- Telephone/internet
- Office/computer supplies
- Rent of business/rehearsal/performance space
- Professional/legal/accounting fees
- Agent commission
- Research - books, journals, subscriptions etc.
- Visits to theatre/cinema etc. (Avoid claiming for more than yourself.)
- Postage/couriers
- Motor expenses
- Travel & subsistence.

Disallowed Expenses

Any expense, not 'wholly and exclusively' incurred for the purposes of your trade or profession, is not allowed. This would include any private or domestic expenditure. For example, food & clothing (except protective clothing) cannot be claimed. Also, business entertainment expenditure - i.e. provision of accommodation, food, drink or any other form of hospitality to clients or buyers - is specifically disallowed.

Mixed Expenses

Where expenditure relates to both business and private use, only that part which relates to your business will be allowed. Examples of such expenditure are rent, electricity, telephone charges etc., where a business is operated from home. These expenses will need to be apportioned to exclude the element of private use.

Revenue will accept estimates for business use. For example, if someone works from home, they might claim 1/3 of their light and heat bills as business expenditure, however this should be considered on an individual basis to ensure it is appropriate.

Motor Expenses

You can claim a deduction for the running expenses of a motor vehicle used for business purposes. This includes a suitable portion of insurance, motor tax, NCT and general maintenance, as well as petrol and diesel. However, if you have a regular place of work then journeys between there and home are normally treated as private and not business.

Food and Accommodation Expenses

Revenue have strict rules around what food (subsistence) and accommodation expenses are allowable as a deduction against trading income. Revenue guidance can be found here.

Capital Expenditure

Expenditure is regarded as 'capital' if it has been spent on acquiring or altering assets which are of lasting use in your business, for example, the purchase of a computer or other equipment. You cannot deduct the cost of this type of expenditure in arriving at your taxable profit. Instead, you can claim capital allowances on expenditure incurred on items such as office equipment and business vehicles. These are included in a different part of the return to the taxable/assessable profit (see below).

Capital Allowances are calculated at a rate of 12.5% (per year) of the net cost. The allowance is granted for 8 years until the full cost of the asset has been claimed. For example, if you purchase a computer for €1,600 in 2022 you can claim €200 (12.5% of €1600) of the cost as a tax-deductible expense each year from 2022 to 2029 inclusive. By claiming €200 each year for 8 years you are getting a deduction for the full €1,600 paid for the computer. Note that in the first year of purchase a full capital allowance is given regardless of when in the year the asset was purchased. As long as it was in use on the last day of your accounting year the full allowance is afforded at 12.5% for that year. If you scrap the asset before the 8 years is up, you get to take a deduction for the remainder of the cost in that final year.

Keeping Books & Records

Under the self-assessment system, you do not have to present your books and records to Revenue when filing your tax return. When you submit a return, you must give details of your income and expenditure, but you do not provide any supporting documentation. However, you must retain your books and records for seven years as Revenue have the right to audit your return and request access to your accounting information at any time during this period. In the event of an audit Revenue will want to see sales invoices, purchase invoices/receipts, bank statements, and credit card statements.

Preparing Your Accounts

Once you have recorded your income and expenditure you will be in a position to prepare your accounts. This is simply a matter of transferring your totals from your sales and purchases books/records into an income and expenditure account. The result should look something like the example below. Once done, you are ready to input the figures onto your tax return.

JOSEPHINE BLOGGS			
INCOME & EXPENDITURE ACCOUNT			
YEAR ENDED 31st DECEMBER 2022			
Income		€	€
	Performance Fees (Non-PAYE)	8,000	
	Producing Fees	3,000	
	Writing (Exempt)	12,000	23,000
Expenditure			
	Materials	1,200	
	Research	300	
	Utilities	250	
	Commission	600	
	Telephone	1,200	
	Motor Expenses	600	
	Subsistence	800	4,950
Net Profit			18,050
Capital Allowance @ 12.5% (Computer bought for €1,600)			200
Profit after Capital Allowances			17,850

Filing Your Return

The due date for filing your 2023 income tax return is 31 October 2024. An extension of approx. two-week - if the return is filed and the tax paid online via www.ros.ie is usually given around April or May in the tax year.

Further benefits of using ROS include quicker filing/processing times, more tailored and straightforward forms to complete, and access to the tax calculation before filing your return.

The tax return for self-employed people is called a 'Form 11' - the paper version of which is available on the Revenue website here (for 2023). Revenue also provides a useful guide to completing the form which is updated annually. The 2023 guide is available here.

Calculating your tax - Rates & Allowances

There are two concepts to understand in calculating your income tax (separate to USC and PRSI). These are “Tax Bands” or “Cutoff” and “Tax Credits”.

Tax Bands

There are two income tax rates. The standard rate is 20% and the higher rate is 40%. In 2024, for a single person, the first €42,000 of income is taxable at the lower rate and the balance is taxable at the higher rate. The tax band represents the amount that is taxable at the lower rate. This is also known as your “cut-off point”.

For married people tax bands and certain tax credits can be transferred between spouses so they are best utilised for tax purposes. This is normally done by being jointly assessed but can be done under separate assessment too.

The Revenue guide to taxation of married people is available here.

Tax Credits

Tax credits are offset against the income tax payable. There is a standard personal tax credit – for a single person - of €1,875 for 2024 and €1,775 for 2023. A married couple have a joint personal tax credit of €3,750 in 2024 and €3,550 in 2023 that can be divided between the spouses in the most tax efficient manner.

A full list of tax credits and the various tax bands can be found here.

Tax bands and credits are best illustrated by way of an example.

Income Tax Calculation for 2022 (assuming single person & ignoring Universal Social Charge/PRSI)

Taxable Profits (from trade)	**€40,000**
First €36,800 @ 20%	€7,360
Next €3,200 @ 40%	€1,280
Total Income Tax before credits	**€8,640**
Less personal tax Credit	(€1,700)
Less earned income tax credit	(€1,700)
Net Income Tax	**€5,240**

Universal Social Charge (USC)

The Universal Social Charge came into effect on 1st January 2011, and it replaces the old income levy and health levy.

It is payable on gross income, after relief for most capital allowances, but before pension contributions. All individuals pay the USC if their income (excluding income from Dept Social Protection) exceeds €13,000 per annum.

It is also payable on artist exempt profits but is not charged on social welfare payments.

The USC rates and thresholds for 2024 are as follows:

- 0.5% - on income up to €12,012 per annum
- 2% - on next €13,748
- 4.5% - on next €44,284
- 8% - on balance

Exemptions to USC

Those earning less than €13,000 per year are exempt from the USC.

All social welfare payments are exempt from the USC.

Individuals aged over 70, and those under 70 who hold a full medical card (not a GP visit card), and who's total income is less than €60,000, pay a top rate of the USC of 2%. If someone over 70 earns more than €13,000 per annum and less than €60,000, they are charged 0.5% on the first €12,012 as normal and 2% on the balance.

Full details on the USC including FAQs and a list of exemptions, can be found here.

PRSI

PRSI is generally chargeable at 4%. However, there is a minimum PRSI payment for self-employed persons.

Anyone with self-employed income (or a combination of self-employed plus PAYE income) of at least €5,000 must pay at least the minimum PRSI of €500. If 4% of their reckonable income is greater than €500 then they will be liable for the larger amount.

In summary the PRSI liabilities – for an individual registered for Income Tax - are as follows:

Taxable income	**PRSI payable**
Less than €5,000	Nil
€5,000 – €12,500	€500
> €12,500	4% of reckonable income

Note – if you have some PAYE income in addition to self-employed income, you may have to pay slightly less than €500 as you will receive a credit for PRSI paid (or credited) on the PAYE income. But you should receive the same amount of PRSI contributions – 52 Class S contributions – as if you had paid the full €500.

Tax Calculation for 2022 (single person)

Using the same example as before, but this time including USC (see section above) & PRSI:

Taxable Profits (from trade)	**€40,000**
First €36,800 @ 20%	€7,360
Next €3,200 @ 40%	€1,280
Total Income Tax before credits	**€8,640**
Less personal tax Credit	(€1,700)
Less earned income tax credit	(€1,700)
Net Income Tax	**€5,240**
PRSI: 40,000 @ 4%	**€1,600**
USC: 12,012 @ 0.5%	€60
9,283 @ 2%	€186
18,705 @ 4.5%	€841
Total USC:	**€1,087**
Total Income Tax, PRSI & USC:	**€7,927**

Penalties & Interest

Failure to file an income tax return on time will lead to a tax-geared penalty. Late filing (within 2 months of 31 October – i.e., up to 31 December) leads to a 5% penalty of the tax bill. After 2 months the penalty is 10% of the tax bill.

Revenue can also charge interest on late payments of tax at a rate of 8% per annum.

Preliminary Tax

The 31 October deadline for filing last year's tax return is also the due date for preliminary tax (extended for electronic filing via ROS).

Preliminary tax is a payment of tax, on account, for the current year. PAYE workers have their income taxed as they earn it so there would be a huge cashflow advantage to self-employed people if they didn't have to pay tax on their earnings until 10 months after their year-end.

To redress this, Revenue attempt to tax a self-employed person's income in the year they earn it by way of preliminary tax.

So, preliminary tax for 2024 is due by 31 October 2024 (usually extended by around two weeks for online payers via ROS). This payment goes against the final tax liability for the year when the tax return for 2024 is filed in the following year. If preliminary tax does not cover the final liability for 2024 - but the correct minimum preliminary tax is paid (see below) - then the balance of tax for 2024 is payable by 31 October 2025 (extended for ROS filing). If the preliminary tax is greater than the final tax liability, the balance is refundable upon filing of the return.

In order to avoid a potential charge to interest (approx. 8% per annum) on any underpayment, Revenue offer two main methods to calculate preliminary tax:

1. Pay preliminary tax at 100% of the prior year's liability

    This is the most common method, and guarantees that, even if the amount you pay doesn't cover your full tax bill, you will be considered to have met your preliminary tax obligation and avoid any potential charge to interest. Many taxpayers prefer this method for the certainty it provides.

2. Pay preliminary tax at 90% of the actual current year liability (estimate)

    This method is often used if the taxpayer is confident that their tax liability for the current year will be a lot less than the tax liability of the prior year (which they are now filing).

Option 1 would amount to an overpayment of preliminary tax and would likely be an amount that they could ill afford (if their tax liability is due to decrease, then this is probably because they have earned less in the year, meaning they cannot afford to be paying tax at the previous year's level).

The problem with option 2 is that you need to make the preliminary tax decision by 31 October in the year. With potentially two months still left in the year it can be difficult to make an accurate estimate of what your tax liability might be for the year.

It may be best to explain this in more detail by way of an example. Let's take an individual who has been trading for a number of years and their income tax liabilities have been calculated as follows:

Tax Year	Tax Liability
2021	€1,500
2022	€5,500
2023	€3,500

The 2021 income tax is due for payment on 31 October 2022. This is also the due date for preliminary tax for 2022. For 2022's preliminary tax, we can pay either 100% of the 2021 liability (€1,500) or 90% of the 2022 liability (€4,950). 100% of the 2021 liability is less so that is the minimum amount we should pay. The total paid by 31 October 2022 would be €3,000, being €1,500 for the 2021 liability (assuming no preliminary tax had been paid already for that year) and €1,500 towards 2022.

The balance of the 2022 income tax then falls due on 31 October 2023, which is also the due date for 2023's preliminary tax. The balance owed for 2022 is €4,000, being €5,500 less the €1,500 paid in October 2022. The preliminary tax for 2023 again can be 100% of the 2022 liability (€5,500) or 90% of the 2023 liability (€3,150). As 90% of the 2023 liability is less this is the amount we might want to pay. The total payable on 31st October 2023 will therefore be €7,150 (€4,000 + €3150).

In practice, you will not know the exact 2023 liability at the time of filing in October 2023, so if you are going to aim for 90% of the 2023 tax liability, a conservative estimate should be made at that point. For example, some people might aim to cover 95% of the estimated liability instead of 90%, just to be safe.

When the return for 2022 is filed in 2023, and the final liability is known, Revenue will look at the payments retrospectively to see if either 90% of the 2022 liability, or 100% of the 2021 liability, was covered by preliminary tax. If neither figure was met, then the taxpayer faces a potential interest charge at approx. 8% per annum on the full underpayment.

Self-Assessment Letter

Once you have filed your income tax return Revenue will issue you with a Self-Assessment Letter. This is also known as a Chapter 4 Letter or an ITSA Full Agreement Acknowledgement letter.

This usually issues on ROS the day after you file the "Form 11" online. Paper copies may be issued also.

This will reflect the figures you have submitted on your Form 11 and show Revenue's calculation of your Income Tax and PRSI/USC for the year under review, along with any balance of tax due or refundable.

It will also indicate when the balance of tax is due – either immediately or, if sufficient preliminary tax was paid the previous year, by 31 October (extended for around two weeks if tax return is filed online via ROS). *Note – you may have set up a payment instruction for the balance of tax when you filed. This will not show up on the Self-assessment letter and may cause confusion.*

PRSI and Social Insurance Benefits

PRSI payments go into the Social Insurance Fund which helps pay for Social Welfare benefits and pensions.

'Reckonable income' for the purposes of PRSI is profit after capital allowances but before reliefs and deductions. The current rate of PRSI is 4%, which is charged on all reckonable income, including artist exempt income.

As with USC, social welfare payments are not taxable under PRSI.

Social insurance benefits

There are a wide range of benefits that are available to people who have paid social insurance. Entitlement to these benefits is dependent on a number of conditions other than the social insurance requirements. The payments that are available include:

- Jobseeker's Benefit
- Jobseeker's Benefit (Self-Employed)
- Illness Benefit
- Maternity Benefit
- Adoptive Benefit
- Health and Safety Benefit
- Invalidity Pension
- Widow's/Widowers Contributory Pension
- Guardian's Payment (Contributory)
- State Pension (Contributory)
- State Pension (Transition)
- Bereavement Grant
- Treatment Benefit
- Occupational Injuries Benefit
- Carer's Benefit.
- Invalidity pension

It should be noted that some social welfare benefits are taxable, and some are not. A list of benefits and their tax status is available here. USC and PRSI are not payable on social welfare payments. (PRSI is payable on income from some employment schemes such as Community Employment.)

Voluntary Contributions

If your income is below €5,000 you will not have to pay PRSI, and if this is the case you might want to consider making voluntary contributions. Voluntary contributions allow you to remain insured and therefore entitled to some social welfare benefits. Voluntary contributions cover long-term benefits, such as State Pension. However, the voluntary contributions do not cover short-term benefits such as those for illness, unemployment, maternity, occupational injuries and dental and optical treatment. More information on the scheme, and details on how to apply, are here. Note – you must apply to make a voluntary contribution within five years of the end of a year in which you made a non-voluntary contribution.

Artists Tax Exemption

The Artists Tax Exemption Scheme allows earnings made by artists from the sale of original and creative works to be exempt from income tax. Note – USC and PRSI is still payable on the artist exempt income.

It is available to visual artists, sculptors, composers of music, and writers.

The scheme is governed by Section 195 of the Taxes Consolidation Act, 1997.

In order to qualify, an application must be made, and the Revenue Commissioners must make a determination that the works are - a) original; and b) generally recognised as having cultural or artistic merit.

The exemption granted applies only to income derived from the sale of these creative and original works. The Act specifically lists these works as: a book or other writing, a play, a musical composition, a painting or other like picture and a sculpture.

More info on the Artists Tax Exemption Scheme is available on the Revenue website here.

Since 1st January 2015, there is an annual cap on Artist Exemption of €50,000. This refers to profit, i.e. turnover less allowable expenses, rather than turnover/sales. Any artist exempt profits above this threshold are taxed as normal.

Payments to Artists that are Exempt from Income Tax

The following payments are exempt from tax from when they are made to an artist whose has received an Artists Exemption:

- Arts Council bursaries
- Cnuas payments made under the Aosdana Scheme
- Artists' Resale Right Royalties
- Payments from the sale of works that are considered eligible under the Artists Exemption scheme

How to Apply

To apply for Artists Exemption, you should submit a claim form here to the Revenue Commissioners, together with samples of your work and any supporting documentation that you consider appropriate.

You can now email the application – and supporting documentation - to Revenue at **direct-taxes-admin@revenue.ie**

If you are a writer seeking the exemption then you will need to submit evidence of your work with the application, along with supporting documents that show any sales you have made of your work. If you've written a book then you will need to send in three published copies, along with any publishing contracts/agreements. If you've written a play or theatre piece then an accredited copy of the play/script will be needed, along with any production contracts/agreements.

Income Tax Requirements

You must return your Artist Exempt profit figure in the exempt income panel on your Form 11 income tax return.

Note – again, only Income Tax is exempted. PRSI and USC are both payable on all income - including your artist exempt profits.

These charges are collected as normal through your Form 11 income tax return (and should be included in your preliminary tax calculations).

Artist Exemption tax calculation

An example of how a calculation of income tax, PRSI and USC might look in 2022 for an artist with exempt profits of €90,000 is laid out below:

Total Writing / Exempt Profits	€90,000
Restricted as follows:	(€50,000)
Taxable Portion of Profits	€40,000
Taxed: First €36,800 @ 20%	€7,360
Next €3,200 @ 40%	€1,280
Total Income Tax	€8,640
Less Personal Tax Credit	(€1,700)
Less Earned Income Tax Credit	(€1,700)
Net Income Tax	**€5,240**
PRSI: 90,000 @ 4%	**€3,600**
USC: 12,012 @ 0.5%	€60
9,283 @ 2%	€186
48,749 @ 4.5%	€2,194
19,956 @ 8%	€1,596
Total USC:	**€4,036**
Total Tax, PRSI & USC	**€12,876**

Apportioning Artist Exempt Income

Where you have multiple income streams and not all of them qualify for Artist Exemption, then you will need to apportion your profit on a pro-rata basis to get the taxable profit and artist exempt figure.

From the income and expenditure example in the “Preparing Your Accounts” section of this article the tax-exempt artist income was €12,000 and the non-artist exempt income (performance fees and producing fees totalled €11,000 (€8,000 + €3,000).

Assuming the artist income qualifies for tax exemption we need to apportion the total profit to find the taxable profit for the year. We do this by taking the final profit figure and dividing it by the total income. The result is then multiplied by the non artist exempt income.

This splits the profit into non-exempt & exempt income as follows:

Total Profit	**Non-exempt Income** / **Total Income**	**= Non-exempt Profit**
€17,850 X	€11,000 / €23,000	= €8,537 (Non-exempt)
The Artist Exempt portion of the profit is calculated as follows:		
Total Profit	**Exempt Income** / **Total Income**	**= Exempt Profit**
€17,850 X	€12,000 / €23,000	= €9,313 (Exempt)
The taxable profit and the tax-exempt profit will equal the total profit i.e., €8,537 + €9,313 = €17,850		

Awards and Grants

There is no uniform treatment for all grants. Most grants & awards are likely to be regarded as taxable income although there are exceptions. Where there is any doubt, it is advisable to seek confirmation from the grant provider, the Revenue Commissioners or a tax advisor/ accountant.

Some general points to note

If you have the Artist's Tax Exemption, then the Arts Council's Bursary Awards and Aosdána Cnuas payments will be exempt from income tax. Bursary Awards and Aosdána Cnuas payments are provided by the Arts Council in order to allow an artist to 'buy time' rather than for spend on a defined project. They represent a direct personal income to the artist, and they have been officially approved by the Revenue Commissioners as being eligible for exemption from income tax. See here for more details on Awards and Grants.

Project grants and touring grants (i.e., where you are awarded a grant to make a particular, audience focused project happen rather than the grant being given simply for your own personal benefit) are different and technically they are subject to tax. But remember that only your profits are subject to tax. For the most part a project grant will be spent on the costs of undertaking the project - so no 'profit' will arise to be taxed upon. However, there may be occasions where a grant of €1,000 has been awarded for a project but you only spend €700 on carrying out the project. You should be aware that there are tax consequences of having made a 'profit' of €300. Similarly, if you pay yourself a fee out of the grant, then that will be subject to tax too. If the fee is for writing or another artist exempt activity, then you can treat it as exempt income in the tax return. If the fee is for say producing or performance, then it will be taxed in the normal way.

So, if the income from the award exceeds the actual costs incurred the balance will be taxable. If the expenses to which the grant related exceed the income the additional cost (or "losses") can be claimed against other income in the period.

To ensure compliance you should check the conditions of receiving the grant or award with the awarding body and if in doubt you should take advice from a specialist in this area.

Income arising from a scholarship or bursary held by a person receiving full-time instruction is exempt from tax.

Regardless of whether a grant or award is tax exempt or not, the artist is required to record receipt of all awards, grants, and bursaries in their tax returns.

Capital and Revenue Grants

Just as there is capital and revenue expenditure, there are capital and revenue grants.

A revenue grant is one that is provided to fund revenue expenditure e.g., a grant provided for the purpose of funding a research trip would be a revenue grant. The income from a revenue grant is allocated in full to the year it is received and the expenditure to which it relates is directly offset against it.

A capital grant is a grant that is provided for the purpose of capital expenditure e.g., a grant to fund the furnishing of a workspace. As the capital expenditure must be claimed at a rate of 12.5% over 8 years as explained earlier in this article, the capital grant is also amortised over the same period.

So, let's assume you have received a grant of €10,000 towards the fit-out of the workspace. The total cost of the fit-out came to €16,000. Each year for 8 years you need to record grant income of €1,250 and claim capital allowances of €2,000. This effectively means you are getting a tax deduction of €750 over 8 years which comes to a total of €6,000 being the difference between the actual cost to you and the grant income.

The safest way to deal with grants and awards is to assume that they are taxable until it can be shown that they are not.

Do you need an accountant?

An accountant is not a requirement. Revenue will accept returns direct from all members of the public. Generally speaking, if you register for income tax now, Revenue will require that you file your returns via ROS. The main factors you would need to consider are:

1. How comfortable you are preparing your own returns.
2. The complexity of your return.
3. The potential liability if the return is wrong.
4. The cost of engaging an accountant.
5. The time being taken up by preparing your own returns.
6. Are there any other parties that require accountant's confirmations.
7. General awareness of other business issues.

If you are not sure about your return but would like to prepare it yourself, I would recommend that you contact an accountant with a view to them looking over the return once you have prepared it, especially if it is your first tax return. An accountant should be able to quote a reasonable fee for simply reviewing a tax return.

If all of your income qualifies for Artist Exemption, then your liability for an incorrect return will probably be relatively small. If for example you don't claim all your expenses correctly and consequently overstate your profit by €2,000 your additional liability will be a maximum of €280 (14% - 8% top rate USC plus 4% PRSI). This is less than what some accountants might charge for completion of accounts and income tax return for one year.

If your income is not artist exempt and you overstate profit by €2,000 then you might be paying as much as €1,100 (55% - 40% top rate tax, 11% top rate USC plus 4% PRSI) more than you should.

For people in all businesses, including artists, bookkeeping and preparing tax returns isn't a value adding activity. The time spent doing these tasks is always better employed doing what it is that earns you the money. The cost of an accountant should be weighed against the time consumed by doing the work yourself.

There are 3rd parties other than Revenue that may require you to have an accountant from time to time. The most obvious example is your bankers. When looking for loans or mortgages, banks will frequently require an accountant's certification of your income. Typically, they look to certify three year's accounts for mortgages. However, this can be often done on an ad-hoc basis.

Finally, an advantage of having an accountant is that they will be aware of other issues that might arise, including the obligation to register for VAT when your turnover hits a certain threshold, and with the constant changes to tax laws and exemptions in particular, it may be useful to have someone at hand who is up to speed on these issues.

By Peter Daly, Chartered Accountant

Peter Daly is a Chartered Accountant, actor and writer, and a former member of the board of directors of Performing Arts Forum, Dublin Fringe Festival, Dublin Youth Theatre and The Performance Corporation.

ADDENDUM MARCH 2023

COVID-19 PANDEMIC UNEMPLOYMENT PAYMENT (PUP) and SELF-EMPLOYED INDIVIDUALS

This payment was available to all employees and the self-employed who lost employment - or who's trading income was reduced materially due to a downturn in economic activity - caused by the COVID-19 pandemic.

The COVID-19 Pandemic Unemployment Payment was paid at various rates from €203 to €350 per week.

This payment finished at the end of March 2022.

Around the time of the Budget in 2020, it was announced that self-employed people could earn up to €480 per 4 weeks, (or €960 per 8 weeks) after expenses, and remain on the PUP. This amount is to be calculated on a rolling basis.

The PUP is taxable under Income Tax, but not PRSI or PUP.

If your overall income – including the PUP – is below €17,000 in 2022, no Income Tax should be payable due to the available tax credits.

If your income excluding the PUP is below €13,000, USC will not be payable.

Reporting the PUP on a Form 11.

On the **PAYE/BIK/Pensions (2)** page of the online form: go to the **Social Welfare Payments and Pension Information** section.

The PUP income – as reported to Revenue by the Department of Social Protection – should be pre-populated as per the below:

Pension Type	Annual amount	Date Commencement	Date Cessation
Department of Social Protection Pandemic Unemployment Payment	€2582.00		

The annual amount of all incomes, apart from Carers income, should be entered in the field Other taxable Social Welfare Payments, Benefits or Pensions.

This amount should be checked against your bank statement to ensure it is correct.

Once checked, the actual amount received, should be transcribed to the box underneath the above section as follows:

Pension Type	Annual amount	Date Commencement	Date Cessation
Department of Social Protection Pandemic Unemployment Payment	€2582.00		

The annual amount of all incomes, apart from Carers income, should be entered in the field Other taxable Social Welfare Payments, Benefits or Pensions.

The annual amount of Carers allowance should be entered in the field Carer's Allowance paid by Dept of Social Protection.

Social Welfare Payments, Benefits or Pensions Received ↑Top

	Self	Spouse
Carer's Allowance paid by Dept. of Social Protection	€	€
Jobseeker's Benefit (self-employed) - Self.	€	€
Other taxable Social Welfare Payments, Benefits or Pensions (State Pension, Illness Benefit, Occupational Injury Benefit,	€ 2582	€

Social Welfare payments mean that you are eligible for the Employee Tax Credit.

To claim this credit, ensure that you have ticked this credit on the **Personal Tax Credit** page of the Form 11.

Employee Tax Credit

	Self
Employee Tax Credit, tick the box if claimed (Note: this is also known as the PAYE tax credit).	☑