

FORSA



Tax Relief on Union Subscriptions

Who we are

Fórsa is the largest Irish trade union for the public service and the second largest trade union in the state. We represent workers in the public and civil service (including health, education and local authorities) as well as staff in the commercial state sector, state agencies, private companies, community and voluntary sector.

Tax relief on trade union subscriptions

A tax relief on trade union subscriptions is a tax benefit that allows trade union members to reduce their taxable income (rather than the actual amount of income they receive) by the amount of their annual trade union membership fees, up to a certain limit. This means they will pay less income tax (PAYE).

Tax reliefs are usually claimed retrospectively, after the end of the tax year, which means workers would receive a tax refund paid into their bank accounts.

Ireland's policy objective to increase access to collective bargaining

Budget 2016 included a commitment to conduct a review of the appropriate treatment of tax reliefs for membership fees of trade unions and professional bodies. The review was to include a public consultation. Rather than conduct a public consultation, the Department of Finance undertook its own internal review of tax reliefs. This review did not support the reinstatement of tax relief on union subscriptions and stated that,

“The adoption of the EU Directive means that the government now has a justifiable policy rationale due to its explicit policy objective to increase collective bargaining coverage among the labour market.”

The EU Directive on Adequate Minimum Wages, adopted in 2022, and subsequently transposed into Irish law, requires all Member States with a collective bargaining coverage rate less than 80%, to provide for a framework of enabling conditions for collective bargaining and to publish an action plan to promote collective bargaining across the State.

The adoption of the EU Directive means that the government now has a justifiable policy rationale due to its explicit policy objective to increase collective bargaining coverage among the labour market.

Collective bargaining is the process by which workers, through their trade unions, negotiate and agree pay and working conditions with their employers to reach a collective agreement. Trade unions and collective bargaining are intrinsically linked, and therefore, policy initiatives to increase trade union membership in Ireland would have a positively corresponding impact on the collective bargaining coverage rate across Irish employment.

What is needed now

Fórsa calls on the government to reintroduce tax relief on trade union subscriptions. This would end the discrimination against union members compared to the position of self-employed people, members of certain professional organisations, farmers and businesses, who benefit from similar tax reliefs.

Clearly, Ireland is out of step on this issue with many of our neighbouring and friendly countries who recognise in very practical terms the important role that unions play in our societies. It's time for this discrimination to end and for tax relief on trade union membership to be restored.

Reintroducing the tax relief would be an affordable enhancement of income restoration, and a symbolic statement that unions and their members play a valued role in our society and economy.

Estimated costs

A tax relief on trade union subscriptions which provides for an annual flat rate allowance of €350 would amount to a tax credit of €70 for workers paying for trade union membership.

The below table shows an estimated annual cost of implementing the tax reliefs. Costs are based on an uptake of 60% of all trade union members, 70% of members and 80% of members. For reference, only 66% of trade union members applied for the tax relief in 2008 and 73.6% in 2010.

Year	Low uptake (60%)	Medium uptake (70%)	High uptake (80%)
2025	€22.7m	€26.5m	€30.3m
2026	€23.0m	€26.9m	€30.7m
2027	€23.3m	€27.2m	€31.1m
2028	€23.5m	€27.5m	€31.4m
2029	€23.7m	€27.7m	€31.6m

Background to tax relief on trade union subscriptions in Ireland

Tax relief on trade union subscriptions was introduced in 2001. It was introduced in recognition of the key role unions play in Ireland in delivering economic and social cohesion for wider society and ensuring fair pay and conditions for workers. When it was first introduced, it was a flat rate tax relief of £100 per year at the standard rate of tax.

The introduction of this tax relief brought trade union members in line with those paying membership fees to professional bodies who had long enjoyed a tax relief on their subscriptions.

What the government said it would do vs. what happened in practice

In Budget 2011, in response to the recession, the government announced that it intended to abolish tax reliefs on trade union subscriptions and on subscriptions to professional bodies.

However, the Finance Bill 2010 which was subsequently enacted resulted in a situation where trade union members lost all tax relief on their union subscriptions, while tax relief on subscriptions to professional bodies continued in many already existing and alternative forms.

What changes occurred for professional bodies' membership

Ahead of the budget announcement, employers could pay membership fees to professional bodies on behalf of their employees. This was not taxed as extra income due to a 'Benefit-in-Kind' exemption which existed at the time.

The Minister for Finance sought to abolish the exemption, meaning the payment of professional body subscriptions would start to be treated as a taxable benefit. This only applied to directors and employees, and not to the self-employed.

The government decision resulted in a strong lobby campaign from professional bodies protesting the tax changes for their membership of employers.

This lobby campaign led to Revenue issuing a clarification as to how it would interpret the 2010 Finance Bill. The net result was as follows:

- Tax relief for expenses paid by the self-employed – including membership of professional bodies – remains unchanged and continues to be granted at the individual's marginal tax rate. This also exempts this income from the USC and PRSI.
- Professional fees paid by employers on behalf of their employees to many professional bodies continued to be paid tax-free. In addition, USC and PRSI did not apply to these payments.
- Businesses could receive full tax relief on subscriptions to bodies such as IBEC and the Irish Small & Medium Enterprises Association (ISME).

Trade union membership subscriptions no longer qualify for tax relief. It is also important to note that even when union subscriptions paid by members did qualify for tax relief, the relief was only applied at the standard rate of income tax, and PRSI and other levies still applied to these payments.

Discrimination in the application of taxes

This situation – which still applies today – is discriminatory and unfair to workers who are members of trade unions. Tax relief on trade union subscriptions is as relevant to trade union membership as it is to membership of other professional bodies. Yet, trade union members are excluded from this tax relief, while the self-employed and members of some professional bodies continue to benefit. There is no justification for singling out trade union membership and denying tax relief to members.

The discrimination in relation to tax relief on membership subscriptions goes further than membership of professional bodies. The Irish Farmers Association (IFA) – the largest representative body for Irish farmers – advises its members, on the basis of professional advice it has received, that farmers, as self-employed traders, can claim tax relief on their IFA subscriptions, and on their Farmers Journal subscriptions, because they are deemed relevant to their trade.

The government's current stance on tax relief discriminates against PAYE workers who are trade union members. It is facilitating an unfair tax system, where farmers, self-employed and employees of certain professions can get tax relief for their subscriptions to various membership organisations, but trade union members cannot.

In addition to this, employers receive full tax relief for contributions to business lobby organisations such as IBEC and ISME.

If tax relief is permitted for one group of workers' membership subscriptions, it should be equally applied for others. The disparity in application of tax relief to certain groups of workers while excluding others is discriminatory in nature.

Ireland is out of step with other countries

Ireland's current position of not providing tax relief on trade union subscriptions is out of step with the practice in many other countries in the European Union and other countries outside of it as well.

For example:

- In Germany, a worker's trade union membership fee is classified as a professional body fee and it can be declared as an income-related expense in a person's tax return;
- In Netherlands, trade union members can get the membership fee deducted from their gross wages or claim 50% of their union subscriptions back in tax relief under the Work-Related Costs Scheme;
- In Belgium, workers can include their union dues in annual tax returns as professional expenses;
- In Norway, tax relief of €700 per annum is allowed for trade union subscriptions and fishermen's organisation fees as per the latest developments;
- Tax relief on trade union subscriptions applies in Australia and Canada;
- While in the UK, taxpayers can claim tax relief if their trade union is a professional body relevant to their work, such as the British Medical Association and the Royal College of Nursing;
- In Austria, trade union contributions are "tax deductible as income related expenses for income from employment";
- In Denmark, trade union fees are automatically deducted from taxable income;
- In Finland, trade union fees are deductible as "expenses for the production of income";

Many countries recognise the importance of trade union membership to their society and seek to create a level playing pitch in relation to tax relief for membership subscription.

Conclusion

Ireland faces a significant body of work to reach the levels of collective bargaining coverage required to meet minimum requirements as set out in the Adequate Minimum Wage Directive.

The introduction of a tax relief on union subscriptions has a clear policy rationale and would bring Ireland in line with European counterparts and with comparative professional bodies in Ireland.