



Following the Jobs Initiative announcement last week by The Minister of Finance, Michael Noonan, T.D, the Finance (No. 2) Bill was published yesterday afternoon. The Bill gives effect to the taxation measures announced in the Jobs Initiative on May 10th. The PRSI measures featuring in the Jobs Initiative have not been included in yesterday's Bill but will be in the Social Welfare Bill expected to be published before the summer recess of the Dáil.

On the publication of the Finance Bill, the Minister said:

“The central objective of this Finance Bill and the Jobs Initiative is to assist in the creation of jobs. The Bill will achieve this objective through fostering confidence that will stimulate economic growth across the domestic sectors and especially the tourism sector. The tourism sector has the ability to achieve strong growth given the significant tourism infrastructure already in place. The Bill also provides the resources to finance these measures that are so important to those seeking work.”

The following tax changes were proposed as part of the initiative:

Good

- The Employer PRSI rate for lower paid employees is to be cut in half on a temporary basis from 8.5% to 4.25% with effect from 1 July, 2011. This applies to jobs paying up to €356 per week (c. €18,500 p.a.).
- Employer PRSI on share based remuneration, (e.g. Share Options) introduced in Finance Act 2011 is to be abolished.
- An amendment to the R&D tax credit rules, enhancing flexibility as to how companies can account for the credit on an “above-the-line” basis.

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- The VAT rate on certain tourism related activities is to reduce from 13.5% to 9% from 1 July 2011.

The amendment provides that the 9% rate will apply mainly to restaurant and catering services, hotel and holiday accommodation, admissions to cinemas, theatres, certain musical performances, museums and art gallery exhibitions, fairgrounds or amusement park services, the use of sporting facilities, hairdressing services, and printed matter such as brochures, maps, programmes, leaflets, catalogues, magazines and newspapers.

- The €3 Air Travel tax will be reduced to zero temporarily. The Bill provides for the Minister for Finance to appoint, by order, a day on or after which passenger departures would not be subject to the tax.

Not so Good

- A levy of 0.6% of the capital value of assets in an Irish pension fund is to be introduced.

The schemes affected are Retirement Benefit Schemes (i.e., Occupational Pension Schemes), Retirement Annuity Contracts and Personal Retirement Savings Accounts (other than what are known as vested PRSAs). The levy will not apply to pension funds located in Ireland where services and benefits are provided exclusively to non-resident employers and members.

The levy will apply for a period of 4 years (2011 to 2014) and is payable twice yearly at the rate of 0.3% on each due date. Chargeable persons (Trustees) will be required to deliver a statement on each payment date setting out the chargeable amount and the stamp duty payable.

The levy will not apply to the assets of occupational pension schemes in respect of employees whose employment are or were wholly exercised outside the State

For further information please click here to view:

<http://www.finance.gov.ie/documents/publications/reports/2011/Jobinitiative.pdf>

<http://www.finance.gov.ie/documents/publications/financebill2011/explmemo2bill.pdf>

If you have any questions please contact any of the team at LHM Casey McGrath.

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