



INTRODUCTION

The Finance (No. 2) Bill 2011 (the “Bill”) was published on 19 May 2011 by the Department of Finance.

The Bill, which comprises only 6 sections, sets out the taxation measures which form part of the government’s recent Jobs Initiative. The social welfare changes will be contained in a social welfare bill. In this Tax Bulletin we will outline what new taxation measures are to be introduced.

R&D TAX CREDIT

Although less well known than and certainly less controversial than our 12.5% corporation tax rate, the R&D tax credit is an important part of the scheme to encourage multinational firms to locate their R&D in Ireland.

In general, the credit allows 25% of incremental expenditure by a company on qualifying R&D to be set off against its corporation tax liabilities or where there are no such liabilities unutilised credit can, in certain circumstances, be paid to the company.

In an effort to enhance the flexibility for accounting for the R&D credit on an “above the line” basis the Bill amends the definition of “relevant payroll period” so that the period to be taken into account, when determining the payroll liabilities incurred by a company, comprises not only the accounting period in which the R&D expenditure was incurred but also the period immediately preceding and equal in length to it.

The cap on the amount of unutilised R&D credit which can be paid to a company has also been amended with the result that a company with significant payroll liabilities, and unutilised R&D

credit, may be able to make a claim for a greater payment from Revenue than before.

AIR TRAVEL TAX

The end would appear to be nigh for this unpopular tax. The Bill gives the Minister the right to appoint the day on which the air travel tax is no longer to apply.

NEW REDUCED RATE OF VAT

A new 9% VAT rate shall apply to certain “tourism related” goods and services from 1 July 2011 to 31 December 2013 with the intention that in 2014 the VAT rate on these items will return to 13.5%.

The new 9% rate will apply mainly to the following:

- Restaurant and catering services.
- Printed matter such as newspapers, periodicals, brochures, leaflets, programmes, catalogues, maps and printed music provided it is not in book form.
- Admissions to cinemas, theatres, certain musical performances, museums and art gallery exhibitions, fairgrounds or amusement park services but not dances or circuses.
- Hotel and holiday accommodation
- Provision of sporting facilities.
- Hairdressing services.

LEVY ON PENSION SCHEMES

The new pension levy, which some are suggesting represents the new government’s first major misstep, is to operate as follows:

- A 0.3% levy will be charged twice a year on the aggregate market value of assets in certain pension schemes for the next 4 years i.e. from 2011 to 2014 inclusive.
- The schemes affected are retirement benefit schemes (i.e. occupational benefit schemes) retirement annuity contracts and PRSA. ARFs are not subject to the levy.
- The levy applies to the aggregate market value of the assets held in the pension scheme on certain prescribed dates. The levy will not apply to the assets of pension schemes in respect of an employee whose employment is or was wholly exercised outside the State.
- The onus will be on the pension administrators to account for the levy, which has been introduced as part of the stamp duty legislation, to Revenue.
- Provision is made in the Bill to allow pension scheme trustees or administrators the option of adjusting the benefits payable under a pension scheme on foot of payment of the duty so as to effectively allow them to pass on the levy to the pension holder in the form of a reduced pension payment.

For further information on any of the above matters or on any tax matters, please contact John Cuddigan (john.cuddigan@rdj.ie) or Eoin Tobin (eoin.tobin@rdj.ie) at 021-4802700