

Finance (No. 2) Bill 2011

Overview

Finance (No. 2) Bill was published on 19th May 2011. It contains draft legislation in respect of the proposals announced in the Jobs Initiative on 10th May 2011 as follows:

1. Share Based Remuneration – Abolishment of Employer PRSI Charge

The Minister has abolished the charge to Employer's PRSI on Share Based Remuneration from 1 January 2011.

The 4% Employee PRSI charge in addition to the USC charge of up to 7% will remain. It will not however apply to share based remuneration which was evidenced by a written contract before 1 January 2011.

2. Research & Development Tax Credit Scheme

Greater flexibility was added to the Research & Development credit scheme by the Finance (No. 2) Bill which increased the maximum excess credit refundable to a company. The payroll liabilities cap has been extended from one accounting period to two accounting periods and will now include the Income Levy, Parking Levy and USC for the purposes of the calculation of the cap.

3. Introduction of the New 9% Rate of VAT

A new VAT rate of 9% will be introduced from 1 July 2011 until 31 December 2011, subject to review in 2012. The new 9% rate will apply to certain services relating to tourism as follows:

- Catering & restaurant supplies,
- Hotel lettings & other holiday accommodation,
- Cinemas, theatres, museums,
- Fairgrounds/amusement parks,
- Use of sporting facilities,
- Printed newspapers, etc,
- Hairdressing services.

4. Employer's PRSI Reduction

The lower rate of Employer's PRSI of 8.5% will be reduced to 4.25% where employees earn less than €356 per week. This will come into effect on 1 July 2011 until 31 December 2013.

5. Air Travel Tax

The Air Travel Tax will be reduced to 0% by future Ministerial Order and will be reviewed in 2012 (subject to agreement between airlines).

6. Annual Pension Levy of 0.6%

The various tax reductions announced in the Jobs Initiative will be funded by way of an annual levy on funded pension schemes, personal pension plans and PRSAs. The annual levy of 0.6% will apply on the market value of the assets under management from 2011 to 2014 and will be administered as a stamp duty. The levy will not apply on private pension schemes where the employee exercises his/her duties outside the State, where the scheme is being wound up or where an ARF exists.

The chargeable person will be the trustees, insurance companies or PRSA administrators and they will be required to adjust the pension benefits payable to take account of the levy, which will lead to a reduced value of the pension scheme. The chargeable person will be responsible for delivering a statement of particulars to Revenue.

For 2011 the levy will apply to the market value of the assets on 19th May 2011 (or on the last day of the accounting period of 12 months immediately preceding this date where accounts for the scheme are made up). For 2012 to 2014 the levy will apply to the market value of the assets at 1 January 2011 (or on the last day of the accounting period of 12 months immediately preceding this date where accounts for the scheme are made up).

The levy will be due in 2 instalments of 3% each on 25 July 2011 and 25 October 2011. For each of the following years the due dates change to 25 March and 25 September each year. Interest and a daily penalty of €380 will apply to any late payment.