

## **Jobs Initiative Overview**

On 11<sup>th</sup> May 2011, The Minister for Finance Michael Noonan introduced a Jobs Initiative Strategy, designed to support the protection and creation of jobs and to regain and enhance our international competitiveness. A number of specific tax measures were included in the Jobs Initiative and these are as follows:

### **Commitment to the 12.5% Corporate Tax Rate**

Prior to outlining the measures the Minister reiterated the Government's steadfast commitment to the 12.5% rate of corporation tax stating that "It is central to our industrial policy and is an integral part of our international brand" and "our 12.5% rate of corporation tax is here to stay."

### **Research & Development Tax Credit Scheme**

The Minister announced the Government's intention under the Initiative to enhance the flexibility in accounting for the Research & Development credit.

### **Share Based Remuneration-Abolishment of Employer PRSI Charge**

The last Government introduced Employer's PRSI on share based remuneration from 1 January 2011. The Minister has reversed this change with effect from the date of its introduction i.e. 1 January 2011.

It would appear that the 4% Employee PRSI charge will remain, but it is assumed that this will only apply to share based remuneration which was not evidenced by a written agreement before 1 January 2011, as previously announced.

### **Introduction of a New 9% Rate of VAT**

A new temporary rate of VAT at 9% will be introduced with effect from 1 July 2011 until the end of December 2013 for services relating to tourism. The Minister stated that the 9% rate will apply to the following

- catering and restaurant supplies, including vending machines and take-away food (excluding alcohol and soft drinks sold as part of the meal),
- hotel lettings, including guesthouses, caravan parks, camping sites etc.,
- cinemas, theatres, certain musical performances, museums, art gallery exhibitions,
- fairgrounds or amusement park services,
- facilities for taking part in sporting activities including green fees charged for golf and subscriptions charged by non-member-owned golf clubs,
- printed matter e.g. newspapers, brochures, leaflets, programmes, maps, catalogues, printed music (excluding books), and
- hairdressing services.

This measure is aimed at boosting tourism and stimulating employment in the tourism sector. The impact will be reviewed before the end of 2012.

### **Employer's PRSI Reduction**

The lower 8.5% Employer's PRSI will be halved to 4.25% for employees earning less than €356 per week with effect from 1 July 2011. This provision is to apply until the end of December 2013.

The Minister also confirmed that the existing Employer Job (PRSI) Incentive Scheme will remain in place until the end of this year.

### **Air Travel Tax to be Abolished**

The air travel tax is to be reduced to zero subject to an agreement being reached with the airlines. The effective date for the abolishment of the tax will be fixed by Ministerial Order. A review of the measure will be conducted before the end of 2012 to evaluate its success.

### **Annual Pension Levy of 0.6%**

The Minister announced that the various tax reductions and job stimulating measures announced in the Initiative will be funded by way of a temporary levy on funded pension schemes and personal pension plans. The levy will apply at a rate of 0.6% to the capital value of assets under management in pension funds established in the State for the four years from 2011 to 2014. Pension funds established in Ireland and providing services and benefits solely to non-resident employers and members will not be subject to the levy.