

Tax Exemption for Start Up Companies

To encourage the establishment of new companies the Government introduced a three year exemption from taxation for start up companies. Finance Act 2011 provided an extension of the 3 year tax relief for start up companies that commence a trade in 2011 and amended the legislation to ensure that the relief is targeted at start up companies generating employment.

Relief will be available to new qualifying companies where the corporation tax payable on trading profits and chargeable gains arising on the disposal of certain assets used in the trade does not exceed €40,000. Marginal relief is available where the corporation tax payable exceeds €40,000 but does not exceed €60,000. No relief is available if a company's corporation tax liability exceeds €60,000.

New qualifying companies will be entitled to claim relief from tax, the value of the relief will be linked to the amount of employers PRSI paid by a company in an accounting period subject to a maximum of €5,000 per employee and an overall limit of €40,000. Credit is also available for any employers PRSI which is exempt under the Employer Job (PRSI) incentive scheme.

This means that where the total corporation tax payable by a qualifying start up company amounts to €20,000 and the company paid qualifying employers PRSI in the accounting period of €10,000 the new qualifying company's corporation tax payable will be reduced to €10,000.

Certain conditions must be met and there are certain excluded activities (land, petroleum and mineral activities and professional services companies). There are also anti-avoidance provisions to ensure that the company does not qualify for the relief if it takes over an existing trade.

If you are considering setting up a new company to avail of this relief Gilroy Gannon can assist you in relation to various matters including but not limited to:

- Advice in relation to whether this relief will apply to the circumstances envisaged,
- Incorporation of a new company (the company must be incorporated after 14 Oct 2008).
- Advice in relation to the company's tax obligations.
- Review of finance options available.
- Book-keeping and payroll services.

If you are interested in the above please do not hesitate to contact us at info@gilroygannon.com or (071) 9161747.