

Supporting Job Creation

**Tax reliefs,
deductions and
exemptions**

A Revenue Guide

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Revenue Mission

*To serve the community
by fairly and efficiently
collecting taxes and duties
and implementing import
and export controls.*

THIS GUIDE IS INTENDED TO DESCRIBE THE SUBJECT IN GENERAL TERMS. AS SUCH, IT DOES NOT ATTEMPT TO COVER EVERY ISSUE WHICH MAY ARISE IN RELATION TO THE SUBJECT. IT DOES NOT PURPORT TO BE A LEGAL INTERPRETATION OF THE STATUTORY PROVISIONS AND CONSEQUENTLY, RESPONSIBILITY CANNOT BE ACCEPTED FOR ANY LIABILITY INCURRED OR LOSS SUFFERED AS A RESULT OF RELYING ON ANY MATTER PUBLISHED HEREIN.

1. Introduction

The aim of this guide is to give a general outline of the tax reliefs, deductions and exemptions that contribute towards the creation of jobs.

While we have tried to give a reasonably comprehensive outline of each scheme/relief, you may need further information on the particular schemes or reliefs that interest you. If so, you can access Revenue's website www.revenue.ie or contact your nearest Revenue office. The Revenue leaflet **IT48 "Starting in Business"**, available on Revenue's website, may also be of interest.

2. The Revenue Job Assist Scheme

The Revenue Job Assist scheme is designed to encourage long-term unemployed individuals to take up employment and to give employers an incentive to employ such individuals.

Benefit to employees

The Revenue Job Assist is an allowance which is taken from total income of the qualifying employee to arrive at taxable income before tax rates are applied, effectively giving relief at the individual's marginal rate of tax.

Section 472A Taxes Consolidation Act (TCA) 1997 contains provisions to allow a deduction to be made from the total income of a qualifying long term unemployed person in each of three tax years after he or she takes up employment. An additional deduction is also available in respect of each qualifying child. The relief is called the Job Assist Allowance.

Benefit to employers

Section 88A TCA 1997 contains provisions for a double deduction in computing the profits of a trade or profession in respect of earnings, and the employer's PRSI contribution on those earnings, paid to a qualifying employee in the first 36 months of a qualifying employment.

Full particulars of the scheme are outlined in leaflets **IT58** and **IT59** available on Revenue's website.

3. Tax Relief for New Start-up Companies (Section 486C Taxes Consolidation Act 1997)

Summary

Relief from Corporation Tax for new start-up companies for the first three years of trading is provided for in Section 486C TCA. The relief is provided in respect of profits of a new trade and chargeable gains on the disposal of assets used in the trade. Relief applies where the total Corporation Tax payable for an accounting period does not exceed €40,000, with marginal relief available where total Corporation Tax payable is between €40,000 and €60,000.

The value of the relief is 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 given for any employers' PRSI exempted under the Employer Job (PRSI) Incentive Scheme in respect of a company's employees in determining the amount of Corporation Tax relief available to the company.

Exclusions from relief

The scheme does not apply to a trade which was previously carried on by another person or formed part of another person's trade, a trade of dealing in or developing land or exploration and extraction of natural resources, a trade consisting of "service company" activities as defined in Section 441 TCA 1997 (includes close companies whose businesses consist of the carrying on of a profession or the provision of professional services, or of exercising an office or employment). The exclusion also applies to a trade set up by a new company, the activities of which, if carried on by an associated company of the new company, would form part of an existing trade carried on by that associated company.

Further Details

Details of the scheme of relief from Corporation Tax for new start-up companies (Section 486C TCA 1997) are set out in **Tax Briefings No. 6 of 2010** and **No. 1 of March 2011**.

4. The Seed Capital Scheme: Tax Refunds for New Enterprises

Summary

If you are an employee, an unemployed person or were made redundant recently and are interested in starting your own business you may be entitled to avail of the tax refund available under the Seed Capital Scheme.

An unemployed individual or an employee who leaves employment and invests by means of shares in a company, which carries on a new business, may claim a refund of income tax paid in previous years.

The Refund

- You could receive all the income tax you have paid over six years, if your investment is big enough,
- You can select the tax years for which you may claim refunds from any or all of the six years prior to the year of investment. Your investment must be claimed up to the extent of your total income in each of the selected years (subject to a max. of €100,000). There is no facility available where the investment can be spread over a number of years so as to utilise personal allowances in each year,
- For each of the selected years, the refund is limited to the tax you have paid, with an upper limit in any year of the tax paid on €100,000,
- The refund may be claimed immediately the company starts to trade,
- If you have already received Business Expansion Scheme (BES) relief for any of the six years selected the amount of the relief available to you in that year is the difference between €100,000 and the amount of the original BES investment,
- You may obtain a refund in this manner for two investments in the company made within a three-year period. Both investments, however, must be made in the same company.

Full particulars of the scheme, including the conditions relating to you as the investor and the company, are outlined in leaflet **IT15** available on Revenue's website **www.revenue.ie**.

5. Employment and Investment Incentive (EII)

This initiative was introduced by the Finance Act 2011 and revamps and extends what was previously known as the Business Expansion Scheme.

Summary

The scheme allows a qualifying individual who makes a qualifying investment (maximum €150,000 for any one year) in a qualifying company to deduct thirty forty-firsts (i.e. 30/41) of the cost of the investment from their total income in the year of the investment. A further deduction of eleven forty-firsts (i.e. 11/41) of the cost of the investment will be allowed if, after a three year holding period, the company has increased its number of employees or has increased its expenditure on research and development.

The relief may be carried forward to future years if the investor cannot take the full deduction to which they are entitled in any one year. The investment must be held by the individual for at least three years. The relief is currently scheduled to end in 2013.

Full particulars of the conditions relating to the investment, the company and the qualifying activities of the company are available on Revenue's website www.revenue.ie.

6. Retraining Relief

Where, as part of an employee's redundancy package, his/her employer incurs the cost of retraining him/her - for example, so as to improve his/her job prospects after being made redundant - then the first €5,000 of the cost of such retraining will not be taxable in the hands of the employee being made redundant.

Statutory redundancy payments are exempt from tax. In addition, ex gratia redundancy payments in excess of the statutory redundancy, **including provision of retraining**, are also currently free from tax up to certain statutory limits.

The retraining must be:

- for an employee who has more than two years continuous full time service,
- part of a redundancy package and be designed to improve skills or knowledge used in obtaining employment or setting up a business,
- completed within six months of the employee being made redundant.

The exemption does not apply to a spouse, civil partner or dependants of the employer, and the employee must avail of the training as they cannot take cash instead.

7. Certain employment grants and recruitment subsidies to be paid tax free.

This section provides that certain employment grants or recruitment subsidies paid to an employer who employs a person or persons under certain employment schemes are to be disregarded for all the purposes of the Tax Acts.

The relevant grants and subsidies are those paid:

- under the Department of Social Protection back to work scheme,
- under any scheme established by the Department of Jobs, Enterprise and Innovation which promotes the employment of individuals who have been unemployed for three or more years,
- under any operating agreements between the Minister for Jobs, Enterprise and Innovation and County Enterprise Boards,
- on or after 6 April 1997, under the Employment Support Scheme administered by the National Disability Authority,
- on or after 6 April 1997, under the Pilot Programme for the Employment of People with disabilities which is administered by the Rehab Group,
- under Area Partnership Schemes, which are administered by Area Development Management Limited under the EU Operational Programme for Local, Urban and Rural Development,
- under the Special Programme for Peace and Reconciliation in Northern Ireland and the Border Counties, or
- under any initiative of the International Fund for Ireland.