

Employment Grants and Recruitment Subsidies

Part 07-03-01

This document should be read in conjunction with sections 223 to 226 of the Taxes Consolidation Act 1997

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Executive Summary

This manual summarises the tax treatment of certain grants received by traders and employers.

1 General

The tax treatment of grants received by traders depends on the nature of the grant.

Where a grant is of a capital nature it is not taken into account in arriving at trading profits but reduces:

- the amount of expenditure which qualifies for capital allowances, or
- the allowable costs for Capital Gains Tax purposes.

Grants of a revenue nature should be included when calculating trading profits. A payment which:

- increases a trader's income, or
- reduces the trader's revenue expenditure,

is normally of a revenue nature and accordingly is liable to income tax or corporation tax, as appropriate.

2 Employment Grants and Recruitment Subsidies

Employment grants and recruitment subsidies are of a revenue nature and accordingly are liable to income tax or corporation tax, unless specifically exempted by tax legislation.

A summary of the sections in the Finance Acts which provide exemption and full details of the payments exempted by each section is given hereunder.

3 Summary of Sections and Exempted Payments

3.1 Section 223 TCA 1997 (formerly Section 37 Finance Act 1993)

Údarás na Gaeltachta and small enterprise grants.

This section provides that any grant made, on or after 1 April 1993, being an employment grant under:

- Section 10(5)(a) of the Údarás na Gaeltachta Act 1979, under the scheme known as "Deontais Fhostaíochta ó Údarás na Gaeltachta do Thionscnaimh Sheirbhíse Idir-Náisiúnta" or the scheme known as "Deontais Fhostaíochta o Údarás na Gaeltachta do Thionscail Bheaga Dheantusaíochta"
or
- Section 21(5)(a) (as amended by the Industrial Development (Amendment) Act 1991) of the Industrial Development Act 1986, under the scheme known as "Scheme Governing the Making of Employment Grants to Small Industrial Undertakings"

will be disregarded for the purposes of the Tax Acts¹.

3.2 Section 224 TCA 1997 (formerly Section 43 Finance Act 1995)

Certain employment grants to medium and large industrial undertakings.

This section provides that any grant made, on or after 1 April 1995, being an employment grant under:

- Section 10(5)(a) of the Údarás na Gaeltachta Act 1979), under the scheme known as "Deontais Fhostaíochta ó Údarás na Gaeltachta do Ghonthais Mhora/Mheanmheide Thionsclaíochta"
or
- Section 21(5)(a) (as amended by the Industrial Development (Amendment) Act 1991) of the Industrial Development Act 1986, under the scheme known as "Scheme Governing the Making of Employment Grants to Medium/Large Industrial Undertakings"

will be disregarded for the purposes of the Tax Acts¹.

¹ Payments made to an employer, which are disregarded for the purposes of the Tax Acts, are exempt from tax and PRSI.

3.3 Section 225 TCA 1997 (formerly Section 18 Finance Act 1982)

Certain employment grants to specified industrial undertakings to promote regional and national development.

This section shall apply to an employment grant made under –

- Section 3 or 4 of the Shannon Free Airport Development Company Limited (Amendment) Act 1970,
- section 25 of the Industrial Development Act, 1986, or
- section 12 of the Industrial Development Act, 1993.

A grant to which this section applies shall be disregarded for the purposes of the Tax Acts¹.

The exemption:

- covers grants made by the successor bodies to the Industrial Development Authority under the Industrial Development Act, 1993 and
- applies to grants made before and after the passing of the Finance Act 1997.

The previous reference in the section was to the Employer's Employment Contribution Scheme and Section 2 of the Industrial Development (No 2) Act, 1981.

3.4 Section 226 TCA 1997 (formerly Section 40 Finance Act 1996)

Various employment grants and recruitment subsidies.

As of 6 April 1996, certain employment grants and recruitment subsidies paid to employers are to be free of tax in the hands of employers who receive them. The grants and subsidies referred to in Section 226 TCA 1997 are as follows (a number of these are no longer available):

- Those made under the "Back to Work Allowance Scheme". This scheme was established on 1 October 1993 and has been closed to new applicants since 1 May 2009.
- Those made under any scheme which may be established by the Minister for Enterprise, Trade and Employment for the purpose of promoting the employment of persons who are long-term unemployed.
- Those made under operating agreements between the Minister for Enterprise, Trade and Employment and such County Enterprise Boards for the employment of persons on a full-time basis in eligible projects.
- Grants or subsidies paid under the Employment Support Scheme administered by the National Rehabilitation Board.
- Those paid under the Wage Subsidy Scheme administered by the Department of Social Protection.

- Those made under the European Union Leader II Community Initiative (1994-1999) which is administered in accordance with operating rules determined by the Minister for Agriculture, Food and the Marine.
- Those made by Area Development Management Limited under the European Union Operational Programme for Local Urban and Rural Development.
- Those made under the Special European Union Programme for Peace and Reconciliation in Northern Ireland and the Border Counties of Ireland which was approved by the European Commission on 28 July 1995.
- Those made under the Joint Northern Ireland/Ireland INTERREG Programme 1994 to 1999, which was approved by the European Commission on 27 February 1995.
- Those made under any initiatives of the International Fund for Ireland which was designated by the International Fund for Ireland (Designation and Immunities) Order, 1986 (S.I. No. 394 of 1986) as an organisation to which Part VIII of the Diplomatic Relations and Immunities Act 1967, applies.
- Payments under the Department of Social Protection's JobsPlus scheme² which commenced on or after 1 July 2013. The scheme is administered by the Department of Social Protection and consists of direct payments to employers who take on individuals who have been long-term unemployed. Payments are made monthly in arrears over a two-year period. The scheme is available to all employers in the private, commercial semi-state, community, not-for-profit and voluntary sectors. It is not open to public service employers. Payments made to an employer under JobsPlus are disregarded for the purposes of the Tax Acts i.e. they are exempt from tax and PRSI.

Note: The effect of each exemption is to exempt the payments in the hands of the **employers** who receive them. It does not affect the relationship between an employer and an employee. Any payment of emoluments made by an employer to an employee is chargeable to tax under Schedule E in the hands of the employee and PAYE/USC/PRSI should be operated accordingly.

² Further information is available on the [Department of Social Protection's website](#).