

***Supporting Job Creation
and other
Enterprise Supports***

**Tax reliefs,
deductions and
exemptions**

A Revenue Guide

Revenue Mission

To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs 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.

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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. Further information is available on the Revenue website under the section entitled "**Running a Business**".

2. 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 1997. 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 on a tapering basis 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, No. 1 of March 2011 and No. 2 of June 2013**.

3. 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) or Employment and Investment Incentive (EII) 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 or EII 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.

4. 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 2020.

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.

5. 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.

6. Certain employment grants and recruitment subsidies to be paid tax free (Section 226 Taxes Consolidation Act 1997)

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,
- under the Wage Subsidy Scheme,
- 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.

7. Film Relief

The Film Relief Scheme was introduced to promote the Irish film industry by encouraging investment in Irish made films which make a significant contribution to the national economy and Exchequer and/or acts as an effective stimulus to the creation of an indigenous film industry in the State. The scheme was broadened in 1993 to include individual investors.

Summary

The scheme provides tax relief towards the cost of production of certain films. The maximum amounts which can be raised under the scheme are:

- up to 80% of the cost of production for all budgets up to the cap of €50,000,000,
- in no case may the total amount raised under Section 481 exceed €50,000,000.

Tax relief on 100% of their investment is available to individual investors and to corporate investors.

Individual investors can invest up to €50,000 under the scheme in any year of assessment. An investor who cannot obtain relief on all of his/her investment in a year of assessment, either because his/her investment exceeds the maximum of €50,000 or his/her income in that year is insufficient to absorb all of it, can carry forward the unrelieved amount to following years up to and including 2015, subject to the normal limit of €50,000 on the amount of investment that can be relieved in any one year.

A corporate investor and any connected companies can invest up to €10,160,000 in any 12 month period. The total amount which can be invested in any one film cannot exceed €3,810,000.

Investment may be made by an individual company or a corporate group. Where the total investment exceeds €3,810,000, the excess can only be invested in productions with a budget of €5,080,000 or less.

There are conditions governing the investment in relation to:

- a qualifying film,
- a qualifying company,
- qualifying investors,
- relevant investment,
- shares.

Full information on this scheme is available on information Leaflet **IT57** on Revenue's website www.revenue.ie

Any queries in relation to the scheme should be addressed to:

Corporate Business & International Div.,

Office of the Revenue Commissioners,

Dublin Castle,

Dublin 2.

Phone: +353 - 1 - 647 5000

E-mail: filmrelief@revenue.ie

8 Research and Development Tax Credit

The key features of the R&D scheme are as follows:

- A tax credit of 25% is available on incremental R&D expenditure incurred on trading expenses (e.g. wages, materials, utilities etc.) and plant and machinery. The credit is given at a rate of 25% on the incremental expenditure over expenditure in a base year. The base year has been permanently set at 2003, making it effectively volume based for new entrants. This R&D tax credit is in addition to the normal 12.5% deduction for trading expenses and capital allowances.
- Buildings are treated separately. The expenditure qualifying for the credit is calculated on a volume basis, i.e. there is no incremental basis for expenditure on buildings.
- Where a company has insufficient corporation tax against which to claim the R&D tax credit in a given accounting period, the tax credit may be carried forward indefinitely, or if a member of a group, in certain circumstances, allocated to other group members.
- Unused tax credits can be carried back for set-off against a company's prior year corporation tax liabilities thus generating a tax refund.
- Where there is insufficient current or prior year corporation tax liabilities, the company can claim unused tax credits in cash over three years (in three instalments over 33 months from the end of the accounting period in which the expenditure is incurred).
- A company's R&D tax credit may be assigned to key employees.

Full particulars of the scheme are available on the Revenue website www.revenue.ie

9 Research and Development (R&D) Tax Credit – Key Employees

The relief for key employees engaged in R&D activities is a tax-based incentive that is designed to encourage key employees in the field of R&D to work in Ireland and to facilitate the expansion of R&D activities in the State and thereby create more jobs.

How does the programme work?

As noted in 8 above certain companies are entitled to a credit against corporation tax for expenditure on qualifying research and development activities. As part of broader measures to enhance the effectiveness of the R&D tax credit, the Finance Act 2012 amended the credit so that companies have the option to surrender some portion of the R&D credit to key employees who have been involved in the development of R&D. Such employees can claim the credit against income tax arising on the income from the employment so in effect this relief reduces the employee's income tax.

What are the terms and conditions?

The relief can only be awarded to key employees engaged in R&D activities. A “key employee” is an individual who performs 50% or more (75% or more for 2012) of the duties of his or her employment on the specific R&D activities as set out in the legislation but does not include company directors (or directors of an associated company) or those with a material interest in the company (i.e. those who own or control, directly or indirectly more than 5% of the company). In addition 50% (75% for 2012) of the cost of the employees emoluments must qualify as expenditure on R&D for the purposes of the corporate tax credit.

Employees availing of this credit must be involved in R&D activities including the conception or creation of new knowledge, products, processes, methods and systems.

The individual must be an employee of a company that is within the charge to Irish tax and that undertakes R&D activities within the European Economic Area. In the case of an Irish tax resident the expenditure must not qualify for a tax deduction under the law of another territory.

The credit cannot reduce employees' effective rate of tax below 23%.

Individuals claiming the relief are chargeable persons and therefore must file a tax return annually.

Full particulars of the scheme are available on the Revenue website **www.revenue.ie**.

10 Special Assignee Relief Programme (SARP)

The Special Assignee Relief Programme (SARP) is designed to attract key individuals to Ireland with a view to supporting and encouraging inward investment and promoting job creation.

How does the programme work?

The Special Assignee Relief Programme works by exempting 30% of an employee's income from the employment between €75,000 and €500,000 from income tax. The full amount of income earned remains subject to USC and PRSI. Employees can also receive free of tax certain travel expenses associated with the provision of an annual trip home for the individual and their family and costs of up to €5,000 per child per annum associated with the education of their children in the State.

The relief is available for up to five years and only applies to employees who come into the State in 2012, 2013 or 2014.

Eligibility and conditions

The person employed must:

- arrive in the State in any of the tax years 2012, 2013 or 2014 at the request of his or her employer (who is located in a treaty country or a country with which the State has a Tax Information Exchange Agreement),
- have worked outside the State for the employer for a minimum period of 12 months immediately before being assigned to the State,
- not have been tax resident in Ireland in the five tax years prior to the year of arrival,
- be assigned to work in the State for a minimum of 12 consecutive months,
- be tax resident in the State for all years the tax relief is claimed,
- earn a basic salary of €75,000 per annum excluding all bonuses, benefits or share based remuneration,
- work in the State for the company that assigned him or her or for an associated company.

Where duties are performed outside the State which are incidental to the duties of the employment, the time spent outside the State on such duties will be ignored, however, if the duties are non incidental the relief will be reduced accordingly.

The company assigning the employee must be incorporated and tax resident in a country or jurisdiction with which the State has a Double Taxation Agreement or a Tax Information Exchange Agreement.

Individuals claiming the relief cannot also claim certain other reliefs such as the foreign earnings deduction, cross border relief or the relief for key employees engaged in research and development activities. In addition, the remittance basis does not apply to income from the employment where relief under this section is claimed.

Individuals claiming the relief are chargeable persons and therefore must file an annual tax return.

Full particulars of the scheme are available on the Revenue website www.revenue.ie.

11 Foreign Earnings Deduction

The Foreign Earnings Deduction is designed to assist indigenous companies seeking to expand into emerging markets.

How does the programme work?

Employees or directors working for specified periods in the identified emerging markets can avail of an income tax deduction. The amount of the deduction will depend on the number of days worked in the stated countries and the relief is granted by providing a proportional deduction from income based on the number of qualifying days worked in such countries. The maximum amount of the deduction cannot exceed €35,000 in any tax year.

Eligibility and conditions

The deduction is available for the tax years 2012 to 2014 inclusive. The individual in receipt of the relief must have worked at least 60 qualifying days in a tax year or 12 month period spanning two tax years in Brazil, Russia, India, China and / or South Africa. The scope of the relief was broadened for the tax years 2013 and 2014 to include qualifying days worked in Egypt, Algeria, Senegal, Tanzania, Kenya, Nigeria, Ghana and The Democratic Republic of the Congo.

A “qualifying day” is a day on or after 1 January 2012 which is one of at least four consecutive days devoted substantially to carrying out the duties of the employment where, throughout the whole of each such day, the individual is present in one of the stated countries.

The company must be in the private sector or the commercial semi-State sector.

The deduction is claimed by way of an end of year review.

Full particulars of the scheme are available on the Revenue website www.revenue.ie.