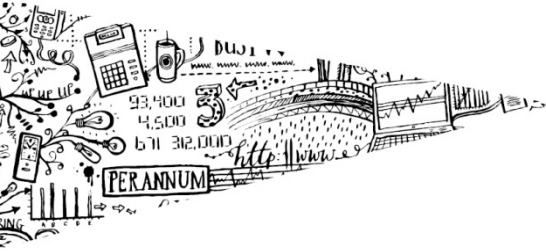


Tax alert Ireland

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Finance (No.2) Bill 2011 published

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Finance (No.2) Bill 2011 which gives effect to some of the measures in the Jobs Initiative announced on 10 May was published today. The Bill now proceeds to Committee and Report stages, where additional amendments may be tabled. Further developments will be closely monitored.

Pensions levy

The pension levy provisions contained in the Bill confirm some of the measures announced in the Jobs Initiative last week, in particular that the levy:

- will apply for a temporary period of four years commencing in 2011
- will apply at a rate of 0.6% on the market value of assets under management in pension schemes approved by the Irish Revenue Commissioners under Irish tax legislation (specifically Occupational Pension Schemes, Personal Pension Plans and unvested Personal Retirement Savings Accounts (PRSAs)).

Administration, payment and collection of the levy

In addition to providing clarification in relation to the type of pension arrangements to which the levy will apply, the Bill outlines a number of operational matters in relation to the administration, payment and collection of the levy. These can be summarised as follows:

- the levy will be administered as a stamp duty under the Stamp Duties Consolidated Act 1999
- the levy will be payable twice a year at a rate of 0.3% on the due date for payment
- the due dates for payment of the levy for 2011 will be 25 July 2011 and 25 October 2011
- for each subsequent year the due dates for payment will be 25 March and 25 September for each year up to 2014
- the chargeable persons i.e. those required to account for and make payment of the levy are the trustees of pension schemes and the insurers and administrators having the management of the assets of pension schemes
- the chargeable persons will be required to deliver a statement, in a format prescribed by the Irish Revenue, on each payment date setting out the chargeable amount and the levy payable

- Interest will apply for late payment of the levy together with a penalty of €380 for each day that the levy remains unpaid
- the value of the assets subject to the levy will be the market value at the date of publication of this Bill (19 May) for 2011 and 1 January in each subsequent year up to 2014
- under the proposed legislation the trustees and administrator may adjust the benefits payable following payment of the duty. This provision is likely to have the effect of reducing the value of an individual's pension benefits
- the proposed legislation also contains provisions relating to Irish Revenue approval for pension scheme providers located outside Ireland.

Schemes and circumstances to which the levy will not apply

The levy will not apply to:

- schemes which are being wound up and where the business in respect of which the scheme was set-up is insolvent
- Approved Retirement Funds (ARF's). Such funds are unlike traditional pensions, but are more in the nature of an investment fund
- assets of occupational pension schemes to the extent the scheme is intended to provide retirement benefits outside Ireland.

Summary - Payment dates

Year	Amount	Due Date for Payment
2011	0.3% 0.3%	25 July 2011 25 October 2011
2012 to 2014	0.3% 0.3%	25 March of the year concerned 25 September of the year concerned

Research and Development (R&D) tax credit scheme

In an era when cash is king, today's amendment to the R&D legislation is a positive step aimed at increasing the cashflow benefit to companies. The amendment proposes to increase the payroll cap applied to cash refunds from one accounting period to two accounting periods (current period of R&D expenditure and previous period of equal length), and to include the income levy, parking levy (not yet implemented) and the universal social charge (USC) within the calculation of the payroll cap.

Reduced rate of VAT for certain activities

The Bill contains the proposed legislation for a reduced rate of VAT of 9% in respect of certain activities in the labour-intensive service sector during the period 1 July 2011 to 31 December 2013. Supplies of goods and services at the new 9% rate are as follows:

- 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)
- hairdressing services

For further information see *VAT Alert 01/11*, issued on 12 May 2011.

Air travel tax

It is proposed to amend the legislation to allow the Minister for Finance to appoint, by order, a day on or after which passenger departures would not be subject to the tax.

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