

# Budget 2012



**Ennis**  
**CHAMBER**  
IN BUSINESS FOR BUSINESS

**Temple Gate Hotel, Ennis**  
**7 December 2011**

# Budget 2012

**Rita McInerney**

**Ennis Chamber**

# Budget 2012

**Fergal Cahill**

**Cahill Taxation**

# Budget 2012

## Structure of Presentation

# Budget 2012

- Introduction
- Personal Taxes
- Business Taxes
- Pensions
- Property Incentives
- Capital Taxes
- Indirect Taxes
- NAMA

# Budget 2012

## Introduction

# Economic Picture

- EURO crisis
- EU/IMF bailout – meeting targets
- Global slow down affecting exports
- Unemployment not decreasing
- Government deficit 10.1%

# Economic Picture

## What did the Minister do?

- Increase in taxes of €1.6bn in 2012
- Cut in Expenditure of €2.2bn in 2012

# Budget 2012

**Sinead Dooley**

**Cahill Taxation**

# Budget 2012

## Personal Taxes

# Personal Taxes

## Summary

- No increase in income tax rates
- No reduction in tax credits
- No narrowing of income tax bands
- Universal Social Charge exemption increased to €10,036 from €4,004

# Personal Taxes

## Tax Bands

<b>Tax Payer</b>	<b>Tax Band</b>	<b>Decrease / Increase</b>
Single/Widowed	€32,800	-
Married – One Income	€41,800	-
Married – Two Incomes	€65,600	-
Single Parent	€36,800	-

# Personal Taxes

## Tax Credits

Tax Credit	Tax Credit	Decrease / Increase
Personal - Single	€1,650	-
Personal – Married	€3,300	-
Employee Credit	€1,650	-
One Parent Family	€1,650	-
Home Carer	€900	-
Age Credit - Single	€325	-

# Personal Taxes

## PRSI

	Existing	Decrease / Increase
PRSI Rate	4%	-
Employer PRSI	10.75%	-
Self-Employed PRSI	4%	-

- 50% employer PRSI relief on employee pension contributions removed from 1 January 2012.
- PRSI base to be broadened to cover rental, dividends and other sources of income, effective from 2013.

# Personal Taxes

## Universal Social Charge 2012

Aggregate Income	USC (< 70 & No Medical Card)	USC (< 70 & Med. Card)	USC (> 70)
First €10,036	2%	2%	2%
Next €5,980	4%	4%	4%
Up to €100,000	7%	4%	4%
Over €100,000	10%	4%	7%
Low income Exemption	€10,036	€10,036	€10,036

# Personal Taxes

## Single Person Employee

Income	Increase/(Decrease)	% Decrease
€10,000	(€200)	(2%)
€15,000	€ -	0%
€36,400	€ -	0%
€50,000	€ -	0%
€100,000	€ -	0%
€200,000	€ -	0%

# Personal Taxes

Married Couple – One Income  
Employee

Income	Increase/(Decrease)	% Decrease
€10,000	(€200)	(2%)
€15,000	€ -	0%
€36,400	€ -	0%
€50,000	€ -	0%
€100,000	€ -	0%
€200,000	€ -	0%

# Personal Taxes

Single Person

Self Employed

Income	Increase/(Decrease)	% Decrease
€10,000	(€200)	(2%)
€15,000	€ -	0%
€36,400	€ -	0%
€50,000	€ -	0%
€100,000	€ -	0%
€200,000	€ -	0%

# Personal Taxes

Married Couple – One Income  
Self Employed

Income	Increase/(Decrease)	% Decrease
€10,000	(€200)	(2%)
€15,000	€ -	0%
€36,400	€ -	0%
€50,000	€ -	0%
€100,000	€ -	0%
€200,000	€ -	0%

# Personal Taxes

What is top rate of income tax?		
	2011	2012
Income Tax	41%	41%
PRSI	4%	4%
Universal Social Charge*	7%	7%
<b>Total</b>	<b>52%</b>	<b>52%</b>

\* 55% for self-employed earning over €100,000 (USC 10%).

# Personal Taxes

## Historic Income Tax Rates

Year	Top Rate
1980/81	60%
1990/91	54%
2000/01	48.25%
2007	46.5%
2012	52% / 55%

# Tax on Savings

## Deposit Interest Retention Tax

- The rate of DIRT will increase by 3% to 30% with effect from 1 January 2012.

Dates	DIRT Rate
1 Jan 02 – 31 Dec 08	20%
1 Jan 09 – 7 April 09	23%
8 April 09 – 31 Dec 10	25%
1 Jan 11 – 31 Dec 11	27%
1 Jan 12 onwards	30%

- Similar increase for life assurance policies & other similar funds.
- Rate on long term deposits increased from 30% to 33%.

# Mortgage Interest Relief

- Mortgage Interest Relief (MIR) rate increase to 30% for First Time Buyers (FTB's) who purchased homes between 2004 and 2008.
- FTB's purchasing a home in 2012 will benefit from 25% MIR.
- Non - FTB's purchasing a home in 2012 will benefit from 15% MIR.
- MIR no longer available on house purchases from 2013.
- MIR to be fully abolished from 2018 (currently being phased out).

# Other

## Household Charge

- Introduction of Household charge of €100 from 2012.

## Domicile Levy

- Extended to abolish “citizenship” requirement.

# Budget 2012

## Business Taxes

# Business Taxes

## Corporation Tax

- No Change in Standard Rate of Corporation Tax of 12.5%
- Cornerstone of Government Economic Policy
- Under increased threat due to Euro crisis

# European Corporation Tax Rates

Country	Rate	Country	Rate
Bulgaria	10%	Greece	25%
Cyprus	10%	Netherlands	25%
Hungary	10%	Switzerland (non EU)	25%
<b>Ireland</b>	<b>12.50%</b>	Finland	26%
Latvia	15%	United Kingdom	26%
Lithuania	15%	Sweden	26.30%
Romania	16%	Portugal	27.50%
Poland	19%	Luxembourg	28.59%
Slovakia	19%	Spain	30%
Slovenia	20%	Germany	30.17%
Czech Republic	21%	Italy	31.40%
Estonia	21%	France	33.33%
Austria	25%	Belgium	33.99%
Denmark	25%	Malta	35% (0%)*

# Business Taxes

## Start-up Companies

- Scheme extended to include a company which commences to trade in 2012, 2013 & 2014.
- Relief from corporation tax in first 3 years of operation for new companies.
- Relief limited to the amount of Employer's PRSI paid by the company in the period.

# Business Taxes

## Capital Allowances – Renewable Energy Generation

- Tax relief for investment in certain renewable energy projects such as wind farms.
- This scheme has been extended for a further 3 years to 31 December 2014.
- Allows companies to write off the cost of qualifying investments.
- Maximum per company is €12.7m per annum. Overall maximum write off of €63.5m.
- Limit of the lesser of 50% of spend per project or €9.525m per project.

# Business Taxes

## Employment and Investment Incentive Scheme

- Effective from 25 November 2011
- Replaces BES (from 31 December 2011)
- Extends to all trades with some exceptions e.g. share dealing, financing activities, land, professions, hotels, nursing homes, shipping.
- Company can raise up to €10m
- Maximum in one year is €2.5m

# Business Taxes

## Employment and Investment Incentive Scheme

- Individuals must hold investment for 3 years
- Tax relief for holding for 3 years is 30%
- Where company shows that it has increased employment during 3 years, an additional 11% is available to the investor
- Subject to high earner restriction
- Lot of BES legislation is mirrored in legislation – advice required

# Business Taxes

## Research & Development Tax Credit

- Currently available at a rate of 25%
- Available on increases in R&D spend over expenditure incurred in the base year i.e. 2003
- The first €100,000 is now switched to a volume basis (excess still compared to base year)
- Outsourcing limits increased to greater of 5% /10% or €100,000
- Credit can be used to reward employees (replacement for patent dividend scheme?)
- Beneficial to SMEs – Details in Finance Bill

# Business Taxes

## Foreign Earnings Deduction

- Introduced for people spending minimum 60 days developing markets for Ireland in BRICS i.e. Brazil, Russia, India, China and South Africa.

## Special Assignee Relief Programme

- Introduced to allow MNC's and indigenous companies to attract key people to Ireland, to encourage creation of jobs.

# Business Taxes

## Farmers

- Measures introduced to encourage early transfer of farms (dealt with in Capital Taxes)
- Enhanced stock relief for registered farm partnerships of 50% (100% for young trained farmers) until 31 December 2015 (subject to EU approval)
- VAT refund will apply to flat-rate farmers on investments in wind turbines

# Business Taxes

## Redundancies

- Minister Howlin announced a reduction in the employer rebate for redundancies from 60% to 15% from 1 January 2012 (watch notice period)

# Budget 2012

## Pensions

# Budget 2012

## Pensions

- Pension levy raising €750m per year.
- Marginal relief retained.
- Annual imputed Distribution on Approved Retirement Funds (ARF) and “vested” PRSA’s increased to 6% (from 5%) for ARF’s in excess of €2m.
- Tax on inheritance of ARF’s for children over 21 increased from 20% to 30% (details in Finance Bill).
- Current relief of 50% of employer PRSI for employee contributions to occupational pension schemes is being removed from 1 January 2012.

# Budget 2012

## Property Incentives

# Property Tax Incentives

- Significant curtailment of capital allowances over last five years or so
- Maximum relief on property tax incentives allowed per individual in 2011 of €80K
- Most schemes phased out at this stage
- Further restrictions announced in Budget 2011
- Deferred pending an Economic Impact Assessment
- Report Imminent
- Minister decided not to introduce Budget 2011 measures
- However, significant changes introduced

# Property Tax Incentives

## High Earners

### Current Position

- Reliefs capped at €80,000 per annum

### Changes

- Restriction of €80,000 will be retained
- A property relief surcharge of 5% will be imposed on investors with an annual gross income over €100,000
- Surcharge on both Section 23 type relief and Accelerated Cap Alls
- How will this work?
- Details to follow in Finance Bill

# Property Tax Incentives

## Section 23 Type Relief

### Current Position

- Investor allowed to write off the qualifying cost against all rents – unused relief carried forward indefinitely

### Changes

- Section 23 relief will not be restricted for investors with annual gross income under €100,000 (cap of €80,000 in any case?)
- Section 23 relief will not be terminated

# Property Tax Incentives

## Accelerated Capital Allowances

### Current Position

- Investor allowed to write off the qualifying cost at 15% (10% in some cases) against all rents – unused relief carried forward indefinitely

### Proposed Changes

- Where tax life ends after 1 January 2015, capital allowances will no longer be available after the tax life of the building
- Where tax life ends before 1 January 2015, no carry forward to 2015
- Details to follow in the Finance Bill
- Action required to assess impact of these measures

# Tax Incentives - Example

- Single Person
- Rental Income of €400,000 per annum
- Specified Reliefs of €400,000 per annum

Year	Tax Liability
2006	€253
2007	€52,853
2008	€52,849
2009	€67,780
2010	€140,978
2011	€169,233
2012	> €169,233

# Budget 2012

## Capital Taxes

# Capital Taxes

## Capital Acquisitions Tax (CAT)

- Group A Threshold reduced by a further 25% to €250,000
- CAT Rate to increase to 30%
- No changes to either Business Property Relief or Agricultural Relief – remains at 90%

# Capital Acquisitions Tax

Group Threshold	01/01/2009 – 07/04/2009	08/04/2009 – 31/12/2009	01/01/2010 – 07/12/2010	08/12/2011 06/12/2010	Post 07/12/2010
	€	€	€	€	€
(A)	542,544	434,000	414,799	332,084	250,000
(B)	54,254	43,400	41,481	33,208	33,208
(C)	27,127	21,700	20,740	16,604	16,604

# Capital Taxes

## Capital Gains Tax (CGT)

- Rate increased to 30%

## Incentive Exemption

- New CGT Incentive Exemption for properties bought between now and 31 December 2013
- Exemption covering first seven years of capital gains provided the property is retained for over seven years
- Details awaited in Finance Bill – appears to apply to both residential and commercial properties

# Capital Taxes

## Retirement Relief

- No change for individual aged between 55 and 65
- No limit to transfers for children. Limit of €750,000 retained.
- Where individuals aged 66 and over, relief is restricted
- Cap of €3m on transfers within the family
- Limit of €750,000 reduced to €500,000
- Transitional measures for those reaching 66 between now and 31 December 2013
- Finance Bill awaited – encouraging early transfers

# Capital Taxes

## Stamp Duty

- Reform of stamp duty regime on commercial property, to stimulate the property market.
- Reduction in stamp duty rate on Instruments executed from 7 December 2011 to 2%.
- Consanguinity relief will remain until 31 December 2014 (50% relief). Abolished thereafter.
- Residential rates retained at 1% on property value up to €1,000,000 and 2% on balance over €1,000,000

# Budget 2012

## Indirect Taxes

# Indirect Taxes

## VAT

- Increase in standard rate of VAT from 21% to 23%
- Applicable to goods and services such as professional services, adult clothing, confectionary, alcohol & cigarettes.
- No change to 0%, 9% and 13.5% rates.

## Excises

- Excise duty on cigarettes increased by 25c. from 7 Dec. 2011

## Carbon Tax

- Carbon tax on fossil fuels increased to €20 per tonne
- Effective for petrol & diesel from 7 Dec. 2011
- Effective for other fuels in from May 2012 (excl. solid fuels)

# Motor Tax Private Vehicles

CO2 Bands	Current Rates	Proposed Rates	Increase in Rate
	€	€	€
A	104	160	56
B	156	225	69
C	302	330	28
D	447	481	34
E	630	677	47
F	1,050	1129	79
G	2,100	2258	158

# European VAT Rates

Country	Rate	Country	Rate
Switzerland (non EU)	8%	United Kingdom	20%
Cyprus	15%	Belgium	21%
Luxembourg	15%	Italy	21%
Malta	18%	Lithuania	21%
Spain	18%	Latvia	22%
Germany	19%	<b>Ireland</b>	<b>23%</b>
Netherlands	19%	Finland	23%
France	19.60%	Greece	23%
Austria	20%	Poland	23%
Bulgaria	20%	Portugal	23%
Czech Republic	20%	Romania	24%
Estonia	20%	Denmark	25%
Slovakia	20%	Hungary	25%
Slovenia	20%	Sweden	25%

# Budget 2012

**NAMA**

# Budget 2012

## NAMA

- Strong influence in the Budget.
- Stamp duty reduced to 2%.
- CGT exemption for purchases up to end of 2013.
- Increased mortgage interest relief.
- All measures aimed at stimulating the property market in 2012.
- Advisory Group to be established to review NAMA strategy with a view to attracting international capital.

# Budget 2012

## NAMA

- Upwardly only rent review clauses proving problematic with changes prone to legal challenges.
- NAMA published policy guidance for dealing with tenant's difficulties arising from these clauses.
- NAMA approve rent reductions where rents are in excess of current market rates and where viability is threatened.
- Independent valuers will be retained to quantify current market rents.
- Personal insolvency measures imminent.

# Budget 2012

What's ahead?

- Property Tax - 2014
- PRSI on dividends, rent etc in 2013
- Wealth Tax?
- Taxing Child Benefit?
- Tax on air?!

# Budget 2012

Key will be in retaining the 12.5%  
Corporation Tax rate

# Budget 2012

**Thank You**