



7 April 2009

South Block, Longboat Quay, Grand Canal Harbour, Dublin 2. Tel: + 353 1 6631700
Fax: + 353 1 6688387 E-mail: umaguire@taxireland.ie Website: www.taxireland.ie

IN BUDGET TAXFAX ...

- INCOME LEVY
- HEALTH LEVY
- PRSI
- INCOME TAX
- CAPITAL GAINS TAX
- CAPITAL ACQUISITIONS TAX
- STAMP DUTY
- VAT
- BUSINESS TAXATION CHANGES
- OTHER

This Budget by Minister for Finance, Brian Lenihan, is the toughest Budget the country has seen in many years with the brunt of the significant personal tax increases on middle and high income earners. The ITI considers that this should be matched by similar steps on public spending. We welcome the Government's commitment to the 12.5% Corporation Tax rate and the new incentive announced for Intellectual Property, which are important for both Irish business and multi-national investment. However, the ITI believes that the Government can do more to assist retention of employment and creation of new jobs.

For our press release and full coverage of the Budget see our dedicated website <http://www.taxireland.ie/AprilBudget2009.aspx>

Free Online Budget Update:

As part of the Institute's Budget Coverage a free online presentation will be available in the coming hours. Liam Grimes of KPMG will be outlining the key changes announced by the Minister of Finance. Our service will include an audio presentation and related PowerPoint slides. The presentation will be available here <http://www.taxireland.ie/taxadvice/34893.aspx> before 9am on Wednesday 8 April.

Income Levy

- Levy doubled to 2%, 4% and 6% .
- Exemption Threshold is reduced from €18,304 to €15,028.

Rates

- 2% on income up to €75,036
- 4% on income from €75,037 to €174,980

- 6% on income in excess of €174,980

These changes apply from 1 May 2009

Health Levy

- The levy is doubled.
- 4% on income up to €75,035
- 5% on income from €75,036

This applies from 1 May 2009.

PRSI

- The ceiling for employees above which PRSI will not apply has increased by €23,036 to €75,036.

Income Tax

- No changes have been made to the standard rate bands or tax credits.
- DIRT on deposit accounts will increase by 2% to 25% from midnight. Life assurance policies and funds liable to tax at 26% will become liable at 28%.
- Mortgage interest relief will only be available for the first 7 years of a mortgage after 1 May.
- Relief for interest on rented residential property is to be reduced to 75% of the relief that would have been available.
- The capital allowances schemes in the Health Sector i.e nursing homes, private hospitals, mental health centres and others are being abolished subject to transitional arrangements. Schemes for palliative care and childcare facilities will remain in place.

Capital Gains Tax

- The rate of capital gains tax is being increased from 22% to 25% from midnight tonight.

Capital Acquisitions Tax

- The rate of capital acquisitions tax is being increased from 22% to 25%. The current thresholds below which tax will not apply are being reduced by 20%. These measures are effective from midnight tonight.

Stamp Duty

- The Minister announced a “trade-in” scheme where no stamp duty will be payable where a person accepts a second-hand property in exchange for a new house/apartment. Stamp duty will be payable on the subsequent disposal of the property. This is designed to give impetus to property transactions and alleviate the problem of “locked in” VAT. It is a temporary initiative effective until 31 December 2010. Further details on this scheme will be set out in the Finance Bill.
- Life assurance products will be liable to a levy of 1% for premiums received on or after 1 June. The levy on non-life policies is being increased to 3%.

VAT

- A new margin scheme is being introduced from 1 July 2009 for second-hand cars. More details on this scheme will be available in the Finance Bill.

Business Taxation

- The 20% tax rate available for trading profits arising from dealing in or developing residential development land is being abolished with income now chargeable at a person’s marginal rate or 25% for corporation tax. This change applies for the 2009 income tax year of assessment and subsequent years and for accounting periods ending on or after 1 January 2009 for companies. Accounting periods which straddle this date will need to be split. Where trading losses have been incurred claims for loss relief made after today, 7 April, will only be relievable on a value basis i.e at 20%. Terminal losses will be ring-fenced.
- A welcome addition is the introduction of capital allowances on the acquisition of intellectual property. Further details will be set out in the Finance Bill.

Other

- Tax on diesel will increase by 5 cent a litre and duty on a packet of 20 cigarettes will increase by 25 cent. Both changes take effect from midnight.

TaxFax is Copyright © Irish Taxation Institute. While every effort is made to ensure that the information outlined in this TaxFax is accurate, the Irish Taxation Institute and contributors can accept no responsibility for loss or distress occasioned to any person acting or refraining from acting as a result of the material contained in this TaxFax. Any views or opinions expressed are not necessarily subscribed to by the Institute.