

*Irish Taxation Institute
Reaction to Budget 2011*

1. Income tax
2. Universal Social Charge
3. Business and employment growth initiatives
4. Overall structure of the Irish tax system

1. Fundamental reform of the income tax system

Irish Taxation Institute President Andrew Cullen said today's Budget saw a significant reform of the Irish income tax system with the introduction of a new Universal Social Charge and a comprehensive broadening of the income tax base at both the bottom and the top ends.

The significant broadening of the base is being brought about by the front loading into 2011 of changes to the tax bands and credits, and the wide ranging curtailment of income tax reliefs on high earners.

The bands and credits alone will mean that 132,000 extra people are being brought into the income tax net while an additional 84,000 people will be paying tax at the higher rate of 41%, many of them for the first time.

2. Universal Social Charge

The introduction of the Universal Social Charge is a major step in the reform of the tax system. The introduction of the charge on all incomes over €4,000 means that almost every income earner in Ireland will be making some contribution to the Exchequer.

One of the greatest challenges will be to ensure its smooth implementation, with payroll systems across the country requiring administrative changes to deal with the new charge.

3. Business and employment growth initiatives

The Irish Taxation Institute President welcomed significant measures in the Budget which he said would help entrepreneurs and the self-employed at a time when job creation is critical.

“There has been an overall reduction in the effective marginal rate for the self-employed bringing them from 55% to 52%. This is an important move at a time when Ireland is encouraging entrepreneurial activity and self-employment.

The enhancement of the Business Expansion Scheme (now Employment and Investment Incentive) and the extension of the 3 year tax exemption for new start-up companies gives real encouragement to entrepreneurial activity in Ireland and shows a genuine support for those who can help drive our future economic growth.

“The Minister also re-iterated the Government’s commitment to the 12.5% corporation tax rate, which is the corner-stone of Irish tax policy.

“It is imperative that these growth initiatives succeed if we are to create the necessary jobs for future economic growth. Future tax revenue must come through job creation and economic growth rather than continually increasing the burden on existing taxpayers who are shouldering the burden of today’s tax measures”, said Mr. Cullen.

4. Overall Structure of the Irish Tax System

This Budget represents the first phase of the Four Year Plan which will ultimately lead to a fundamental change in the structure of Ireland’s tax system with more reliance being placed in the future on indirect taxes through property taxes, water charges, carbon taxes and increased VAT rates. This will bring about a more sustainable tax base and will allow Governments to plan spending based on a more solid tax base.

This will also bring about certainty in our tax strategy and tax base.