Budget 2012

TAX FACTS & FIGURES

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RATES/CREDITS 2012

Personal Tax Credits	2011 €	2012 €
Single persons	1,650	1,650
Married persons	3,300	3,300
Additional one-parent family	1,650	1,650
PAYE	1,650	1,650
Age credit – Single	245	245
Age credit – Married	490	490
Home carer	810	810
Dependent relative tax credit	70	70
Rent relief		
Under age 55 single persons	320	240
Under age 55 married persons	640	480
Over age 55 single persons	640	480
Over age 55 married persons	1,280	960
Service charges (max)	80	N/A
Incapacitated child	3,300	3,300
Blind persons:		
Single	1,650	1,650
Married (both blind)	3,300	3,300
Widowed additional credit	540	540
Widowed person bereaved in year of assessment	3,300	3,300
Widowed parent:		
1st year after year of bereavement	3,600	3,600
2nd year after year of bereavement	3,150	3,150
3rd year after year of bereavement	2,700	2,700
4th year after year of bereavement	2,250	2,250
5th year after year of bereavement	1,800	1,800
Exemption limits – 65 – years and over		
Single/widowed/surviving civil partner	18,000	18,000
Married or in civil partnerships	36,000	36,000
Standard rate bands		
Single/widowed persons/surviving partner	32,800	32,800
Married couples, one income	41,800	41,800
Married couples, two incomes	65,600	65,600
One parent/widowed parent	36,800	36,800
Tax rates		
Standard rate	20%	20%
Top rate	41%	41%
PRSI		
Employee ceiling	No limit	No limit
Employee PRSI rate	4%	4%
Employer PRSI (higher rate)	10.75%	10.75%
Employer PRSI (lower rate) 01/01/11-01/07/11	8.5%	N/A
Employer PRSI (lower rate) 02/07/11-31/12/11	4.25%	4.25%
Self-employed ceiling	No limit	No limit
Self-employed PRSI rate	4%	4%
Universal Social Charge (USC)		
Exemption limit	€4,004	€10,036
€0 - €10,036	2%	2%
€10,037 - €16,016	4%	4%
> €16,016	7%	7%
Self-employed income > €100,000	10%	10%

PERSONAL TAX

Personal tax credits and bands

There have been no increases in the income tax rates, no reductions in income tax credits and no adjustments to the income tax bands.

Household charge

A household charge of €100 is being introduced in 2012. Certain categories will be excluded from the charge. The charge is only an interim measure pending implementation of a full property tax from 2014.

Mortgage interest relief

The rate of mortgage interest relief is being increased to 30% for first time buyers who took out their first mortgage between 2004 and 2008. Mortgage interest relief will no longer be available to house purchasers who buy after the end of 2012. The relief will be fully abolished from 2018. First time buyers of homes in 2012 will get mortgage interest relief at a rate of 25% and non-first time buyers will get mortgage interest relief at 15%.

Stock relief/ carbon tax relief for farmers

An enhanced 50% stock relief for registered farm partnerships and a 100% stock relief for certain young trained farmers forming such partnerships is being introduced. Subject to clearance from the European Commission under State Aid rules, these reliefs will be made available until December 2015. Farmers will be allowed a double income tax deduction for increased costs arising from changes in the carbon tax regime.

PRSI

There will be a broadening of the base for PRSI to cover rental, investment and other forms of income from 2013. This should bring the current treatment for employed individuals who were previously exempt from PRSI on this income in line with self-employed contributors. In addition, the current 50% employer PRSI relief on employee pensions is to be removed with effect from 1 January 2012.

Domicile levy

The citizenship requirement for the payment of the levy is being removed. This will ensure that tax exiles cannot avoid the levy by renouncing their citizenship, thereby making it more difficult to avoid.

Universal Social Charge (USC)

With effect from 1 January 2012, the lower exemption threshold will be increased from €4,004 to €10,036. In addition the USC will be moved to a cumulative collection system.

Legacy property tax reliefs

The proposals from last year’s budget are being abandoned following the Economic Impact Assessment. However, a property relief surcharge of 5% is being imposed on investors with gross income over €100k. This will apply to the amount of income sheltered by the property reliefs in a given year. Residential owner occupier relief is unaffected by these changes.

Special assignee relief programme

A new special assignee relief programme is being introduced to allow multi-national and indigenous companies attract key people to Ireland. The objective is to create more jobs and facilitate the development and expansion of businesses in Ireland.

Foreign earnings deduction

A foreign earnings deduction is being introduced to further support the export drive by aiding companies seeking to expand into emerging markets. This targeted deduction will apply where an individual spends 60 days a year developing markets for Ireland in Brazil, Russia, India, China and South Africa. Details of these and additional measures will be contained in the Finance Bill.

DIRT

DIRT tax has been increased from 27% to 30%. This can potentially increase to 33% on certain life assurance policies and investment funds.

BUSINESS TAX

The Budget speech contained several pro-business tax measures. Much of the detail is set out in the personal tax section. Other changes of note are set out below:

Corporation Tax

There will be no change in the 12.5% rate of corporation tax.

Exemption for start-ups

The exemption from corporation tax and capital gains tax for certain trading start-up companies introduced in 2009 is being extended to include start-up companies that commence trading in 2012, 2013 and 2014. The exemption applies for three years and is subject to certain anti-avoidance provisions.

Redundancy rebate

The rebate available to employers in respect of statutory redundancy payments has been reduced from 60% to 15%.

Financial services sector

It is intended to introduce a package of measures to support the continued success of the international funds industry, corporate treasury sector, the international insurance industry and the aircraft leasing industry. Details of these measures will be announced in the Finance Bill.

R&D tax credit

The first €100,000 of qualifying R&D expenditure will benefit from the 25% R&D tax credit on a volume basis, with no requirement to refer to the 2003 base year spend. For R&D expenditure in excess of €100,000 the relief continues to be based on incremental costs in excess of the 2003 spend.

The outsourcing limits for subcontracted R&D costs are being increased to the greater of 10% of total costs (or 5% in the case of sub-contracting to third level institutions) or €100k.

Companies in receipt of the R&D credit will have the option to use a portion of the credit to reward key employees who have been involved in the development of R&D.

Renewable energy

The qualifying period for the scheme of tax relief for corporate investment in certain renewable energy projects is being extended from 31 December 2011 to 31 December 2014.

CAPITAL TAXES

Stamp duty

The multiple rates of stamp duty for non-residential property are to be replaced with a single rate of 2% in respect of instruments executed after 6 December 2011, down from a top rate of 6%. Consanguinity relief on the transfer of non-residential property is to be retained for intra-family transfers up to the end of 2014; this relief will be abolished from 2015. Stamp duty on residential property remains unchanged i.e. 1% of the first €1 million and 2% on amounts over €1 million.

Capital Acquisitions Tax (CAT)

The current rate of CAT of 25% is being increased to 30% and will apply in respect of gifts or inheritances taken after 6 December 2011. The current Group A tax-free threshold is being reduced from €332,084 to €250,000. This reduction applies in respect of gifts or inheritances taken after 6 December 2011. Group B and Group C remain unchanged.

Capital Gains Tax (CGT)

The current rate of CGT of 25% is being increased to 30% and will apply in respect of disposals made after 6 December 2011.

Measures to incentivise investment in property
A new incentive relief from CGT is being introduced for properties bought between 7 December 2011 and 31 December 2013. Where the property is held for more than seven years no CGT will arise on any gain attributable to that seven year period.

Measures to incentivise timely farm transfers
Measures are to be introduced to incentivise the early transfer of family farms. Full retirement relief from CGT for transfers within the family will be maintained for individuals aged 55 to 66. An upper limit of €3 million on retirement relief for business and farming assets disposed of within the family is to be introduced where the individual transferring ownership is aged over 66 years. The current unlimited relief from CGT will apply for a transitional period of two years for individuals currently aged 66 or who reach that age before 31 December 2013.
The current upper limit of €750,000 for assets transferred outside the family for individuals aged between 55 and 66 years will be maintained. The upper limit for retirement relief for business and farming assets transferred outside the family is reduced from €750,000 to €500,000 for individuals aged over 66 years. The current upper limit of €750,000 applies for a transitional period of two years for individuals currently aged 66 or who reach that age before 31 December 2013.

PROPERTY INCENTIVE SCHEMES
Section 23 type reliefs and accelerated capital allowances
As noted above, a surcharge of 5% will be introduced with effect from 1 January 2012. It will apply to individuals only with gross incomes over €100,000. The surcharge will apply to the amount of income being sheltered by the tax relief in any given year.

Residential owner occupier relief is unaffected by these changes

Accelerated capital allowances
The tax life of a property is that period after which a property can be disposed of without triggering a claw back of capital allowances. The tax life can range from between seven years and 25 years, depending on the type of property e.g. hotels, crèches, nursing homes – all have different tax lives.

Where the tax life of a property ends after 1 January 2015 investors will only be allowed to use the capital allowances up to the end of the tax life of that property. The capital allowances will end on the expiration of the tax life of that property. Where the tax life of a property has ended before 1 January 2015 any unused capital allowances after 31 December 2014 will be guillotined.

INDIRECT TAXES
Value Added Tax (VAT)
The standard rate of VAT will increase by 2% from 21% to 23% with effect from 1 January 2012. This rate applies to a wide range of (but not all) goods and services including motor cars, electrical goods, petrol, alcohol, furniture, adult clothing and professional fees.

In other changes, the VAT rate applying to district heating will be reduced to 13.5% while the 9% rate currently applying in the hospitality sector will apply to admissions to open farms from 1 January 2012.

The VAT refund order allowing farmers to reclaim VAT incurred on farm buildings will be amended to allow for VAT refunds on wind turbines purchased after 1 January 2012.

Excise duty
Excise on a packet of 20 cigarettes will increase by 25 cents (including VAT) from midnight tonight with an equivalent increase applying to other tobacco products. There is no increase in the excise duty rate applying to alcohol but the VAT rate increase will apply.

Carbon tax
An increase equivalent to €5 per tonne, (from €15 to €20), on fossil fuel will apply to petrol and auto diesel from midnight tonight. This will add an estimated 1.4 cents to the price of a litre of petrol and 1.6 cents to a litre of diesel. The application of the increase to home heating oil will be delayed until 1 May 2012.

Motor tax
Increases will apply to all annual motor tax rates from 1 January 2012.

For example, the emissions based rate applying to Band A will increase by €56 from €104 to €160 while the increase for Band B will be by €69 from €156 to €225. Increases will also apply to the older rates based on engine size with increases ranging from €13 for a 1,000cc car to €46 for a 2,000cc car.

Vehicle Registration tax (VRT)
Consultations will take place with the motor trade and other interested parties to review options for the improvement in VRT and motor tax revenue streams in future years. It is proposed to introduce an export refund scheme whereby a refund of VRT will be made where a car is permanently exported.

Betting duty
The 1% betting duty has been extended to apply to remote betting. Betting intermediaries duty (gross profits tax of 15%) will be introduced to cover betting exchanges. It is intended that the new regime will commence from the second quarter of 2012.

PENSIONS
The following changes to pensions were announced in the budget:

Employer PRSI on pension contributions
As noted above, the current relief of 50% of employer PRSI for employee contributions to occupational pension schemes and other pension arrangements is being abolished from 1 January 2012.

Approved Retirement Funds (ARF's)
The annual imputed distribution which applies to the value of assets in an Approved Retirement Fund (ARF) at 31 December each year is being increased from 5% to 6% in respect of ARFs with asset values in excess of €2 million (or, where an individual owns more than one ARF, where the aggregate value of the assets in those ARFs exceeds €2 million). The increase will apply in respect of asset values in affected ARFs at 31 December 2012 and future years.

The transfer of ARF assets on the death of an ARF owner to a child of the owner aged over 21 is subject to a final liability tax equal to the standard rate of income tax in force at the time of the making of such a distribution (currently 20%). It is proposed to apply a higher final liability tax rate of 30% to such transfers and the details of this will be published in the Finance Bill.

Vested PRSAs
The annual imputed distribution provisions which apply to ARFs will also apply on the same basis to "vested" PRSAs, where the assets are retained in the PRSA rather than being transferred to an ARF. This will include an increased deemed distribution percentage of 6% for vested PRSAs with assets in excess of €2 million. Where an individual holds more than one PRSA the deemed distribution will apply to the aggregate of the assets in all of that individual's PRSAs once any one of them is vested. The increase will apply in respect of asset values in affected PRSAs at 31 December 2012 and future years. Further details will be published in the Finance Bill.

This leaflet is only a summary of the Budget Speech and is not intended to be a comprehensive guide. 06/12/11. Printed by Unique Publishing (01) 860 3477