

BUDGET 2010

SUMMARY OF TAX CHANGES



Budget 2010

Minister for Finance, Brian Lenihan, T.D. delivered Budget 2010 today. As expected this was a budget about expenditure cuts and there were few changes announced by the Minister relating to the Tax Code. However the Minister did flag that significant changes to tax legislation will be implemented in the following years. We now await publication of the Finance Bill, which similar to previous years may introduce subtle amendments to the current legislation. Set out below are the tax changes announced by the Minister.

Income Tax

- There have been no changes to the standard rate band or tax credits.
- Measures are being considered to create a new system for taxing income. There will be just two charges on income from 2011. This will encompass a new universal social contribution at a low rate on a wide base to replace employee PRSI, the health levy and the income levy; as well as income tax which will apply progressively.
- For 2010, the effective tax rate for high earners availing of tax incentives is to increase to 30% (plus PRSI and levies). The entry level threshold for the restriction will be at adjusted income levels of €125,000 (currently €250,000). The full restriction will apply at €400,000 (currently €500,000). The curtailment and removal of further reliefs is to be considered in the Finance Bill.
- The Minister is introducing an Irish domicile levy of €200,000 per annum on all Irish non-resident nationals and domiciled individuals, whose worldwide income exceeds €1,000,000 million and whose Irish-located capital is greater than €5,000,000.
- Mortgage interest relief is to be abolished entirely by the end of 2017. Those for whom relief would otherwise expire on or after 2010 will qualify for relief up to 2017. The Minister noted that transitional measures will be introduced.
- The tax treatment of pension lump sums and the rate of relief on contributions will be considered in the Government National Pensions Framework to be published shortly by the Department of Social and Family Affairs.

Corporation Tax

- The Minister reinforced his commitment to the 12.5% corporate tax rate on trading profits. He stated that "The 12.5% corporation tax rate will not change. It is here to stay."
- The current 2009 scheme to provide a three year exemption from tax on the income and gains of new start-up companies will include companies who commence to trade in 2010.
- The Minister indicated that enhancements to the R&D tax credit regime and Intellectual Property regime will be detailed in the Finance Bill.
- The existing capital allowances scheme for energy efficient equipment for companies will be extended to include additional categories of eligible equipment including refrigeration and cooling systems, electro-mechanical systems and catering and hospitality equipment.

VAT

- The standard rate of VAT is being reduced from 21.5% to 21% with effect from 1 January 2010.

Capital Taxes

- There were no changes in the Budget on capital gains tax, capital acquisitions tax and stamp duty rates.

Carbon Tax

- A carbon tax at a rate of €15 per tonne is being introduced. The tax will apply to:
 - Petrol and diesel from midnight 9 December. (An increase of 4.2c per litre for petrol and 4.9c per litre of diesel)
 - Kerosene, Marked Gas Oil, Liquid Petroleum Gas (LPG), Fuel Oil and Natural Gas from 1 May 2010.
 - Coal and commercial peat subject to a Commencement Order.
- Participants in the EU Emissions Trading Scheme (ETS) in respect of those fuels will be exempt.
- The yield from carbon tax is to be used to boost energy efficiency, to support rural transport and to alleviate fuel poverty. 50% of the carbon tax yield will be used to fund measures such as retrofitting homes for those at risk of fuel poverty. It is also proposed that carbon tax may be used to maintain or reduce payroll taxes.
- The Commission recommendation that carbon tax should be clearly visible at the point of final consumption was not adopted in the Budget.

Vehicle Registration Tax (VRT)

- VRT relief of up to €1,500 will be provided where a car of 10 years or older is scrapped and replaced with a new car with low carbon emissions ie Band A or B. This "scrappage scheme" will run from 1 January 2010 to 31 December 2010.
- The existing VRT exemption for series production electric vehicles and the VRT relief of up to €2,500 for certain hybrid electric vehicles are being extended for a further two years until 31 December 2012.

Employer PRSI

- €6 million is to be allocated to an Employers Job Incentive Scheme which will provide PRSI exemption to encourage employers to recruit employees. Further details of the scheme are to be announced by the Minister for Social and Family Affairs.

Excise Duty

- A reduction of excise duty is being introduced on alcohol products of 12c per pint of beer/cider, 14c per half glass of spirits and 60c per standard bottle of wine.

Tax Avoidance Schemes

- The Minister announced plans to introduce a package of measures to improve the effectiveness of the Revenue Commissioners in tackling the shadow economy and in dealing with tax avoidance schemes.

Other

- Public servants in the higher tax bands will be subject to pay reductions up to 15%. A reduction in salaries generally for the public sector ranging from 5% to 10% is being introduced.
- Reductions are to be introduced in the monthly rates of child benefit at the higher and lower level by €16, bringing them to €150 and €187 respectively.
- The Government has accepted the Commission on Taxation recommendation of the need for a property tax. Work is to begin on registration of ownership and valuation of land.
- Water charges are also to be introduced.
- A credit review system is to be established for the SME sector offering an independent review of refusals for bank credit by banks participating in NAMA.

INCOME TAX – PERSONAL TAX CREDITS

	€ Existing 2009	€ Change	€ New 2010
Standard rate bands			
Single/widowed	36,400	-	36,400
Married couples, one income	45,400	-	45,400
Married couples, two incomes	72,800	-	72,800
One parent families	40,400	-	40,400
Personal tax credits			
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Single person	1,830	-	1,830
Married couples	3,660	-	3,660
Additional - one/widowed parent	1,830	-	1,830
PAYE	1,830	-	1,830
Age credit - single	325	-	325
Age credit - married	650	-	650
Rent relief			
Under age 55 single persons	400	-	400
Under age 55 married persons	800	-	800
Over age 55 single persons	800	-	800
Over age 55 married persons	1,600	-	1,600
Incapacitated child	3,600	-	3,600
Blind persons: Single	1,830	-	1,830
Married (both blind)	3,660	-	3,660
Widowed (without dependent children)	2,430	-	2,430
Widowed parent:			
1st year after year of bereavement	4,000	-	4,000
2nd year after year of bereavement	3,500	-	3,500
3rd year after year of bereavement	3,000	-	3,000
4th year after year of bereavement	2,500	-	2,500
5th year after year of bereavement	2,000	-	2,000
Exemption limits – 65 years and over			
Single/widowed	20,000	-	20,000
Married	40,000	-	40,000
Tax rates			
Standard rate	20%	-	20%
Top rate	41%	-	41%
PRSI			
Employee ceiling	75,036	-	75,036
Weekly threshold	352	-	352
PRSI Rates			
Self Employed	3%	-	3%
Employee	4%	-	4%
Health Levy			
Threshold	26,000	-	26,000
Health Levy Lower rate	4%	-	4%
Health Levy higher rate	5%	-	5%
(income over €1,925 per week (€100,100 per year))			
INCOME LEVY			
Income from €15,028 up to €75,036	2%	-	2%
Income from €75,037 to €174,980	4%	-	4%
Excess over €174,980	6%	-	6%

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