



Budget 2010

Personal Taxation

The Minister has announced that a reform of the income tax system will take place with effect from the 2011 tax year. The new system will include two charges – a universal social contribution which will replace the current PRSI/health levy/income levy charges and an income tax system which will apply on a progressive basis as earnings increase.

The changes below take effect from 1 January 2010 unless otherwise stated.

Rates of Tax

The current standard rate of income tax remains unchanged at 20%. The marginal rate of income tax remains unchanged at 41%.

Income Levy

There have been no changes to the Income Levy Rates for the 2010 tax year. These rates and the thresholds are as follows:

Gross income below €15,028 per annum will be exempt.

Gross Income of up to €75,036 per annum will be liable at the 2% rate.

Gross Income exceeding €75,036 but less than €174,980 per annum will be liable to the 4% rate.

Gross income exceeding €174,980 per annum will be liable at the 6% rate.

Standard Rate Cut Off Points

There have been no changes to the standard rate cut off points. These remain at €36,400 for a single person, €45,400 for a married couple with one income, €72,800 for a married couple with two incomes (transferable between spouses up to a maximum of €45,400 for any one spouse) and €40,400 for a lone / widowed parent.

Personal Tax Credits / Employee (PAYE) Tax Credit/ Home Carer Credit

The above credits remain unchanged for 2010.

Health Levy

The threshold for payment of the health levy remains unchanged at €500 per week.

The rate is 4% for individuals whose weekly earnings are less than €1,443 (€75,036 per annum) and the rate of 5% applies to earnings in excess of €1,443 per week (€75,036 per annum).

PRSI

The employee's annual earnings ceiling remains unchanged at €75,036 per annum. Also, the weekly PRSI exemption threshold remains unchanged at €352.

Mortgage Interest Relief

Mortgage Interest Relief will be abolished in its entirety by 31 December 2017.

Qualifying loans taken out before 1 July 2011 will continue to receive tax relief for 7 years, at the current levels. Transitional measures will be provided for qualifying loans taken out between 1 July 2011 and 31 December 2013.

Homeowners who are now in negative equity, whose entitlement to mortgage interest relief would expire in 2010 or after, will now continue to qualify for tax relief at the applicable rate up to the end of 2017.

The current rate of mortgage interest relief for first time buyers is 25% in years 1 and 2, 22.5% in years 3, 4 and 5 and 20% in years 6 and 7.

Currently, the maximum tax credit available for a single person is €2,500 in years 1 and 2, and €2,250 for years 3 to 5 inclusive. For a married couple the maximum tax credit available is €5,000 in years 1 and 2 and €4,500 for years 3 to 5 inclusive. The maximum tax credit for years 6 and 7 are €2,000 per annum for a single person and €4,000 for a married couple respectively.

The rate of mortgage interest relief for non first time buyers is 15% from 1 January 2009. Accordingly the maximum tax credit for mortgage interest relief for non first time buyers is €450 per annum for a single person and €900 per annum for a married couple.

High Earners

The Finance Act 2006 provided for a limit on the use of tax reliefs by certain high income individuals for tax years from 2007 onwards. The restriction operates to restrict the extent to which such individuals can use "specified reliefs" to reduce their tax liability. In effect, the restriction set out to ensure that high income individuals paid at least an effective 20% rate of tax on their income.

The restriction only applied to individuals whose "adjusted income" was over €250,000 per annum. A graduated application of the restriction applied to individuals with an "adjusted income" of between €250,000 and €500,000. The adjusted income level will be reduced to €125,000 for the tax year 2010 and the full restriction will now apply at €400,000 (instead of €500,000).

The Minister also announced that the effective rate of tax for those benefiting from tax incentive schemes will increase from 20% to 30% for those subject to the full restriction for the tax year 2010.

Tax Incentives

The Minister indicated that the Finance Bill will include the curtailment and removal of further tax reliefs.

Irish Domiciled Levy

The Minister announced the introduction of an Irish domicile levy of €200,000 per annum regardless of where the individuals are resident if the individual's worldwide income exceeds €1m and their Irish-located capital is greater than €5m.

Pensions

The Minister advised that the National Pensions Framework will consider the tax treatment of pension lump sums in excess of €200,000. The Minister indicated that pension lump sums of less than €200,000 will continue to be tax exempt.

National Solidarity Bond

A new National Solidarity Bond will be established in the New Year. This bond will be in addition to the current range of State Savings Products. The main features of this new bond are as follows:

- Investors can choose to invest for a five, seven or ten year period;
- Interest will be paid annually;
- Investors will be entitled to a final redemption bonus on maturity as an incentive to leave their funds invested. This bonus will be different for each investment period;
- It will be possible to invest in the bond by way of lump sum or by occasional payments;
- The bond will be available through the following channels – Internet, telephone, direct debit or at a local post office.

The bond will be sold by An Post on behalf of the National Treasury Management Agency (NTMA). Further details to be announced by NTMA early in the New Year.

Full details of the tax treatment of the bond will be provided in the Finance Bill 2010.

Water Charges

The Minister announced that preparations are underway to introduce a new local authority charge in respect of water usage in the home. It is envisaged that this charge will be based on water consumption above a free threshold.

Property Tax

The Minister indicated that a Property Tax will be introduced and referred to it as a Site Valuation Tax. He confirmed that work would begin shortly on the registration of ownership and the valuation of land. No further details were included.

Capital Gains Tax

The capital gains tax rate remains unchanged at 25%.

Capital Acquisitions Tax

The capital acquisitions tax rate remains unchanged at 25%.

The current thresholds remain unchanged at:

Group A	Parents to child	€434,000
Group B	Related persons	€43,400
Group C	Non –related persons	€21,700

Business Tax

The trading Corporate Tax rate of 12.5% remains unchanged.

Start Up Companies

The three year exemption from tax on the income and gains of new qualifying start up companies is being extended to include companies who commence trading in 2010.

Credit Review System on Business Lending

The Budget states that a credit review system will be introduced. This will give SME's, farm enterprises and sole traders the right to appeal credit applications that are refused by banks. In addition to dealing with individual cases the credit review system will examine credit policies and practices of the banks for all SME sectors.

Tax Incentive Schemes

Capital Allowances Scheme for certain Energy-Efficient Equipment

There is an extension to the existing capital allowances scheme for energy efficient equipment purchased by companies from seven categories of eligible expenditure to ten categories.

Farming Tax

Farm Expenditure

Relief from the income levy will be allowed in respect of certain expenditure incurred by farmers to comply with the requirements of the EU Nitrates Directive 91/676/EEC.

VAT

The standard rate of VAT will be reduced from 21.5% to 21% with effect from 1 January 2010. This decrease will apply to all goods and services which are currently subject to VAT at 21.5%. The zero rate and 13.5% rate remain unchanged.

Stamp Duty

No changes were announced in relation to Stamp Duty.

Excises

Carbon Tax

A carbon tax at a rate of €15 per tonne is being introduced on fossil fuels. This will apply to petrol and auto diesel with effect from midnight tonight. It will result in a 3.5% increase in the price of petrol and 4.4% in the price of auto diesel.

It will apply to Kerosene, Marked Gas Oil, LPG, Fuel Oil and Natural Gas from 1 May 2010. The application to coal and commercial peat will be subject to a Commencement Order, so the effective date is unknown. Electricity will not be subject to the Carbon Tax.

A vouched fuel allowance scheme is to be introduced for low income families dependent on such fuels.

Excise Duty

Excise duty on beer and cider is being reduced by 12c per pint

Excise duty on spirits is being reduced by 14c per ½ glass

Excise duty on wine is being reduced by 60c per 75cl bottle

These reductions are all VAT inclusive and take effect from midnight on 9 December 2009

There is no change to the rates on tobacco products.

Other

VRT Electric Cars

The existing VRT exemption for electric vehicles and the VRT relief of up to €2,500 for plug-in hybrid electric vehicles are being extended by two years until 31 December 2012.

Car Scrappage

A car scrappage scheme is being introduced to run from 1 January 2010 until 31 December 2010. VRT relief of up to €1,500 will be provided where a car of 10 years or older is scrapped in accordance with certain conditions and a new car of emission bands A or B is purchased.

DPS Charge

The monthly threshold for the Drugs Payment Scheme is being increased from €100 to €120.

Prescription Charge

A 50c charge per prescription item (subject to a monthly ceiling of €10 per family) is being introduced for the General Medical Service (GMS) and Long Term Illness (LTI) schemes.

Social Welfare

Various reductions are to be made in relation to various social welfare payments including;

- Job Seekers Benefit
- Job Seekers Allowance for new applicants aged 20 to 24 who do not have dependent children
- Job Seekers Allowance for individuals where job offers or activation measures have been refused
- Maternity Benefit
- Adoptive Leave
- Child Benefit

The State Pension remains unchanged.

Public Service Salaries

Public service salaries will be reduced from 1 January 2010 as follows;

- 5% on the first €30,000 of salary
- 7.5% on the next €40,000 of salary
- 10% on the next €55,000 of salary

This produces a reduction of between 5% to just under 8% for salaries up to €125,000.

The reduction in relation to salaries above €125,000 will be based on the recommendations of the Review Body on Higher Remunerations in the Public Sector. This provides for reductions ranging from 8% to 15% (and 20% in the case of the Taoiseach).

Professional Services

The Minister also announced that there will be reductions in the fees paid by State bodies in respect of professional services.



TAX FACTS

The personal credits, rates and exemptions are unchanged by Budget 2010. The following is a list of the figures applying for 2010

Tax Credits, Rates & Exemptions for Tax Year 2010

	2010 €
Tax Rates	
Standard Rate	20%
Top Rate	
41%	
Standard Rate Bands	
Single/Widowed	36,400
Married, one income	
45,400	
72,800*	
Married, two incomes	
One Parent families	
40,400	
*Transferable between spouses up to a Maximum of €45,400 for any one spouse	
Income Levy	
Income up to €75,036	2%
Income in excess of €75,036 and up to €174,980	4%
Income in excess of €174,980	6%
PRSI	
Employee ceiling	75,036
Employee weekly threshold	
Employee Rate – Class A	
4%	
Employer's Rate – Class A	
10.75%	
- Earnings < €356 per week	8.5%
Self Employed / Class S1 Director (No Ceiling)	3%
Health Levy	
Weekly Threshold	500
Basic Rate (up to €75,036)	4%
Increased Rate (On excess over €75,036)	5%

	2010
	€
Exemption Limits - 65 years & over	
Single/Widowed	20,000
Married	
40,000	
Tax Credits	
Single	1,830
Married	3,660
Additional One parent Family	1,830
Employee	1,830
Home Carer Credit	900
Trade Union Subscriptions	70
Widowed Parent	
1 st Year following bereavement	4,000
2 nd Year following bereavement	3,500
3 rd Year following bereavement	3,000
4 th Year following bereavement	2,500
5 th Year following bereavement	2,000
Incapacitated Child	3,660
Blind Person	
Single	1,830
Married (both blind)	3,660
Age Allowance	
Single/Widowed	325
Married	650
Additional credit for widowed person	600
Dependent Relative	80
Rent Relief – Max Tax Credit	
<i>Under 55</i> Single	800
Married	400
<i>Over 55</i> Single	800
Married	1,600
Mortgage Relief – Max Tax Credit	
<i>1st Time Buyer (Yrs 1 &2)</i> Single	2,500
Married	5,000
<i>1st Time Buyer (Yrs 3, 4 &5)</i> Single	2,250
Married	4,500
<i>1st Time Buyer (Yrs 6 &7)</i> Single	2,000
Married	4,000

Mortgage Interest Relief only available for the first 7 years of mortgage

<i>Non 1st Time Buyers</i>	Single	450
	Married	900

2010
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Rent a Room Scheme

Exemption Limit	10,000
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Health Expenses Relief

Relief granted at the following rates	20%
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Pension Contributions

The maximum amounts on which tax relief may be claimed is,

Age	% of Net Relevant Earnings
Up to 30 Years	15%
30 but less than 40	20%
40 but less than 50	25%
50 but less than 55	30%
55 but less than 60	35%
60 years or over	40%

Earnings Cap on Net Relevant Earnings	150,000
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Preferential Loans

Home Loans	5%
Other Loans	12.5%

Capital Gains Tax

25%

Capital Acquisitions Tax

25%