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Budget 2011

Personal Taxation

The changes below take effect from 1st January 2011 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%.

Standard Rate Cut Off Points

The standard rate cut-off points have been reduced by almost 10%. For 2011 they will be;

- €32,800 (previously €36,400) for a single person
- €41,800 (previously €45,400) for a married couple with one income
- €65,600 (previously €72,800) for a married couple with two incomes (transferable between spouses up to a maximum of €41,800 for any one spouse)
- €36,800 (previously €40,400) for a lone / widowed parent

Tax Credits

The above credits have been reduced by circa 10% as follows;

- Single Person €1,650 (previously €1,830)
- Married Couple €3,300 (previously €3,660)
- Home Carer Max Credit €810 (previously €900)
- PAYE Tax Credit €1,650 (previously €1,830)

Similar changes were made to other tax credits - see the attached schedule for full details.

Exemption Limits

The exemption limits for over 65 year olds have been reduced as follows;

- Single €18,000 (previously €20,000)
- Married €36,000 (previously €40,000)

Universal Social Charge (replacing Income Levy and Health Levy)

The Income Levy and the Health Levy are abolished with effect from 1st January 2011. They will be replaced with a Universal Social Charge (USC). USC will apply to all individuals with an annual income exceeding €4,004.

The rates and the thresholds for individuals who are aged under 70 years are as follows for 2011:

- Gross income of up to €10,036 per annum will be liable at a 2% rate
- Gross income between €10,037 and €16,016 per annum will be liable at a 4% rate
- Gross income over €16,016 per annum will be liable at a 7% rate

Individuals aged over 70 will only be liable at the 4% rate on gross income over €16,016.

The universal charge will not apply to certain income including social welfare payments.

The charge will apply to additional sources of income including;

- Approved Profit Sharing Schemes
- Approved Save As You Earn Schemes
- Unapproved Share Options
- Share Awards

PRSI

The employee's annual earnings ceiling has been abolished. It was previously €75,036 per annum.

The Class S PRSI rate has been increased from 3% to 4%.

Employee PRSI and levy relief on pension contributions has been abolished.

Additional sources of income will also be liable to PRSI such as;

- Employee pension contributions
- Approved Profit Sharing Schemes
- Approved Save As You Earn Schemes
- Share Options

Income Tax Reliefs

The following tax reliefs are abolished from 2011 (unless otherwise stated);

- Rent Relief (to be phased out over 8 years)
- Tax Exemption for patent royalties (from 24 November 2010)
- Tax relief on loans to acquire an interest in certain companies is also to be abolished.
- Income tax relief for trade union subscriptions
- Accelerated capital allowances for farmers who incur capital expenditure on farm buildings and structures for use in the control of pollution
- Tax exemption from BIK on employer provided childcare
- Income tax relief on subscriptions to professional bodies
- Investment allowance for machinery and plant for exploration expenditure
- Approved Share Option Schemes (from 24 November 2010)
- Tax relief for new shares acquired by employees
- Tax Exemption for payments to National Co-operative Farm Relief Services Ltd
- Income tax age credit (phased out over 4 years)
- Income tax age exemptions (phased out over 4 years)

DIRT

The DIRT rate is to be increased from 25% to 27% on ordinary deposit accounts and from 28% to 30% on longer term deposit accounts.

Exit tax rates that apply to life assurance policies and investment funds are to increase by 2% in each case and will now be 27% for payments made annually or more frequently and 30% for payments made less frequently than annually.

Termination Payments

The Budget announced the restriction of the tax free element of ex-gratia termination payments to €200,000. Payments above this amount will be subject to tax at the taxpayer's marginal rate of tax.

Pensions

Tax Rate

Pension contributions currently qualify for tax relief at the individual's marginal rate of tax. The Government's Four Year Plan confirmed that this would be continued for 2011 but that relief would subsequently reduce to the following rates;

2012	34%
2013	27%
2014	Standard rate (currently 20%)

Employee - PRSI & USC

Employee PRSI and levy (now USC) relief on pension contributions has been abolished. This will be legislated for in the Social Welfare Bill.

Employer - PRSI

The current employer PRSI exemption for employee contributions is to be reduced by 50%.

Contribution Limit

The annual earnings limit (which along with the age related percentage rates) determines the maximum tax relievable contributions to pension schemes will be reduced from €150,000 to €115,000 for 2011. This cap will also apply to pension contributions claimed for the tax year 2010 but paid in 2011.

Maximum Allowable Pension Funds

The maximum allowable pension fund on retirement for tax purposes (SFT) will be reduced to €2.3m (previously €5,418,085) from 7th December 2010. Transitional rules apply to pension funds that have already exceeded this threshold.

Retirement Lump Sums

An overall life time limit on tax free retirement lump sum payments that an individual can draw down from a pension is being reduced to €200,000.

The excess over this amount will be taxed at the standard income tax rate up to an amount equal to 25% of the new Standard Fund Threshold (i.e. €2.3m x 25% = €575,000).

The excess will be taxed at the individual's marginal rate of tax.

Any lump sum payments taken on or after 7th December 2005 will count towards using up the tax free amount and towards determining the appropriate tax rate that will apply to any further termination payments.

ARF

The annual imputed distribution which applies to the value of assets in an ARF has been increased from 3% to 5%.

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 CAT thresholds are being reduced by 20% for gifts on inheritances taken on or after 7th December 2010.

Business Tax

It has been confirmed by the Minister for Finance that there will be no change to the 12.5% Corporation Tax rate.

Business Expansion Scheme

The Business Expansion Scheme will be revamped and renamed as the Employment and Investment Incentive. The Incentive will come into operation once European Commission approval is received. Under the new incentive the limit that can be raised by a company will be increased from €2m to €10m and the amount that can be raised in any 12 month period will be increased from €1.5m to €2.5m. In addition the certification requirements will be simplified and the new incentive scheme will expire on 31st December 2013.

Start Up Companies

The three year corporation tax exemption for new qualifying start up companies is being extended to include companies who commence a new trade in 2011. The scheme is being modified so that the value of the relief is linked to the amount of employers' PRSI paid by the company in the accounting period subject to a maximum of €5,000 per employee. If the amount of qualifying employers' PRSI is lower than the reduction in corporation tax liability otherwise applicable, relief will be based on the lower amount.

Relevant Contracts Tax (RCT)

The rate of Relevant Contracts tax (RCT) applied to payments to subcontractors not holding a C2 is being reduced to 20% where the subcontractor is registered for tax and has an established compliance

record. The rate for non registered subcontractors remains at 35%. Additional new measures provide for the abolition of the monthly repayment system which is to be replaced with an offset system going forward. There is also a proposed strengthening of the reporting system for RCT Principals in order to enhance compliance and reduce opportunities for fraud.

Capital Allowances for Energy Efficient Equipment

The accelerated capital allowances scheme for Energy Efficient Equipment will be extended for a further 3 years to 31st December 2014.

Patent Royalties

The Minister for Finance confirmed the abolition of the tax exemption for patent royalties effective from 14.00 hours on 24th November 2010.

PRSI

Class S PRSI rate has been increased from 3% to 4%.

Employer PRSI relief on employee pension contributions will be reduced by 50%.

Tax Incentive Schemes

The Budget introduces new measures that will restrict and phase the abolition of property based “legacy reliefs” in the following manner:

Section 23 Type Relief

- From 1st January 2011 this will be restricted to income from the Section 23 property itself (currently such relief can be set against all income).
- At the end of the 10 year holding period, any unused relief will be lost. If the property is sold within the period, the new owner will not get the relief and the seller continues to be subject to the clawback of the relief claimed.
- For Section 23 properties not yet sold, for which relief has yet to be claimed, the 10 year qualifying period starts no later than 30th June 2011, regardless of the date of the first qualifying lease.
- Termination of all unclaimed Section 23 relief post 31st December 2014.

Residential owner occupier relief is unaffected by the proposed changes

Capital Allowances

The restrictions apply solely to passive investors.

- With effect from 7th December 2010 any unused capital allowances carried forward beyond the 7 year period within which the allowances are made will be lost i.e. 7 year period for 7 year schemes and 10 year period for 10 year schemes.
- For 2011 onwards capital allowances will be restricted against income from the property which gave rise to them with no provisions for offset against other income.
- Schemes with a period over 10 years which has not ended will be truncated to 7 years from when the allowances are first made.

- Again like the Section 23 relief there is a termination of all unclaimed and unused capital allowances, arising after or carried forward post 31st December 2014.

Farming Tax

The existing 25% stock relief for farmers and the special incentive stock relief of 100% for certain young trained farmers are being extended from 1st January 2011 for a further 2 years subject to clearance from the EU.

VAT

No changes were announced in the Budget in relation to VAT. However the Government's Four Year Plan confirmed that the standard VAT rate would increase from 21% to 22% in 2013 and to 24% in 2014.

Stamp Duty

The stamp duty rate applying to residential properties is being changed. A flat rate of 1% stamp duty rate will apply on all sales of residential properties up to a value of €1m. A stamp duty rate of 2% will apply on the value over €1m. These new rates will apply to transfers on or after 8th December 2010 subject to transitional provisions.

All stamp duty reliefs and exemptions on residential properties are being abolished. The reliefs which will be abolished are:

- First time buyer relief
- Exemptions for new houses under 125 sq metre in size
- Relief for new houses over 125 sq metre in size
- Consanguinity relief for residential property transfers
- Exemption for residential property transfers valued over €127,000
- Site to child relief

Excises

Petrol and Diesel

The rate of excise is being increased by 4 cents per litre of petrol and by 2 cents per litre of diesel inclusive of VAT. These changes are effective from midnight on 7th December 2010.

Car Scrappage

The car scrappage scheme has been extended by 6 months to 30th June 2011. The relief is €1,250 once a car of 10 years or more is scrapped and certain conditions are met.

VRT

Changes are included in relation to VRT.

Other

There will be no reduction in the State pension in 2011.

Child Benefit will be reduced by €10 per month from January 2011 on both the lower and higher rate with an additional €10 per month decrease for the third child. The new rates will be €140 per month (first and second child), €167 (third child), and €77 (fourth and subsequent children).

In the case of working age rates of payments there will be a reduction of circa 4%.

Public Service Pensions over €12,000 per annum will see a pension reduction on average of 4%.

The salary of An Taoiseach will reduce by €14,000 per annum. The salary of Ministers will reduce by €10,000 per annum. A public service salary cap of €50,000 will be introduced for new entrants.

A 10% reduction in the pay for new entrants to the public service contained in the National Recovery plan will be applied to the salary rate of those appointed in 2011.



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TAX FACTS

The following is a list of the tax credits, rates and exemptions applying for 2011 and comparative figures for 2010

Tax Credits, Rates & Exemptions for Tax Year 2011

	2011 €	2010 €
Tax Rates		
Standard Rate	20%	20%
Top Rate	41%	41%
 Standard Rate Bands		
Single/Widowed	32,800	36,400
Married, one income	41,800	45,400
Married, two incomes	65,600*	72,800*
One Parent families	36,800	40,400
 *Transferable between spouses up to a maximum of €41,800 in 2011 (previously €45,400 in 2010) for anyone spouse.		
PRSI		
Employee ceiling	Nil	75,036
Employee weekly threshold	352	352
Employee Rate – Class A	4%	4%
Employer's Rate – Class A	10.75%	10.75%
 Modified PRSI rate (certain public servants) increased on incomes in excess of €75,036		
Certain State Office holders	4%	0%
	4%	N/A
 - Earnings < €356 per week		
Self Employed/Director (No Ceiling)	8.5%	8.5%
	4%	3%

Universal Social Charge (USC)

The Health Levy and Income Levy are to be abolished and replaced by a new Universal Social Charge (USC) in 2011. The following are the rates & thresholds for an individual who is under 70 years:

Income below €4,004	0%
Income from €0 to €10,036	2%
Income from €10,037 to €16,016	4%
Income over €16,016	7%

For individuals over 70 years income over €16,016 will only be liable to USC at 4%.

	2011	2010
	€	€
Exemption Limits - 65 years & over		
Single/Widowed	18,000	20,000
Married	36,000	40,000
Tax Credits		
Single	1,650	1,830
Married	3,300	3,660
Additional One parent Family	1,650	1,830
Employee	1,650	1,830
Home Carer Credit	810	900
Widowed Person		
In year of bereavement	3,300	3,660
Without dependent children	2,190	2,430
With dependent children	1,650	1,830
Widowed Parent		
1 st Year following bereavement	3,600	4,000
2 nd Year following bereavement	3,150	3,500
3 rd Year following bereavement	2,700	3,000
4 th Year following bereavement	2,250	2,500
5 th Year following bereavement	1,800	2,000
Incapacitated Child	3,300	3,660
Blind Person		
Single	1,650	1,830
Married (both blind)	3,300	3,660
Age Allowance		
Single/Widowed	245	325
Married	490	650
Additional credit for widowed person	540	600
Dependent Relative	70	80