



Budget 2010

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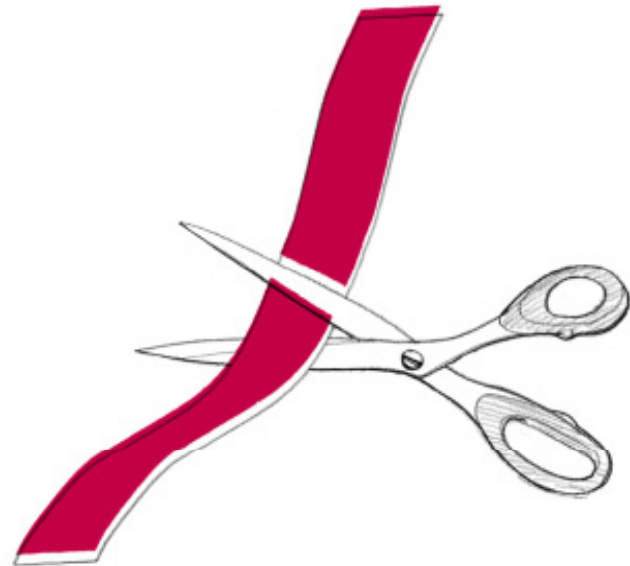
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Rates/credits 2010

Personal tax credits	€
Single persons	1,830
Married persons	3,660
Additional one-parent family	1,830
PAYE	1,830
Age credit – Single	325
Age credit – Married	650
Home carer	900
Rent relief	
Under age 55 single persons	400
Under age 55 married persons	800
Over age 55 single persons	800
Over age 55 married persons	1,600
Incapacitated child	3,660
Blind persons:	
Single	1,830
Married (both blind)	3,660
Widowed additional credit	600
Widowed parent:	
1 st year after year of bereavement	4,000
2 nd year after year of bereavement	3,500
3 rd year after year of bereavement	3,000
4 th year after year of bereavement	2,500
5 th year after year of bereavement	2,000

Exemption limits – 65 – years and over	€
Single/widowed	20,000
Married	40,000
Standard rate bands	
Single/widowed persons	36,400
Married couples, one income	45,400
Married couples, two incomes	72,800
One parent/widowed parent	40,400
Tax rates	
Standard rate	20%
Top rate	41%
PRSI	
Employee ceiling	75,036
Weekly threshold	352
Employee PRSI rate	4%
Employer PRSI rate	10.75%
Health levy	
Threshold (annual)	26,000
Income up to €100,100 (up to €1,925 pw)	4%
Excess over €100,100 (over €1,925 pw)	5%
Income levy	
Income up to €75,036 (up to €1,443 pw)	2%
Income between €75,036 and €174,980	4%
Excess over €174,980 (over €3,365 pw)	6%



Personal tax

There are no changes to the personal tax rates, tax bands or tax credits. The table on page one sets out the tax bands and the principal tax credits for 2010.

Reforming personal tax

The Minister intends to introduce a new system of personal taxation in 2011 with just two charges on income namely:

- a new universal social contribution to replace employee PRSI, the health levy and income levy; and
- income tax at progressive rates.

He also hopes to see closer integration of the tax and social welfare system.

Non residents

The Government intend to introduce measures which will impose on all Irish nationals and domiciled individuals, whose worldwide income exceeds €1 million and whose Irish located capital is greater than €5 million, a requirement to pay €200,000 as an Irish domicile levy each year regardless of where they are tax resident. Full details of this measure will be set out in the Finance Bill.

Mortgage interest relief

To assist homeowners who are in negative equity, mortgage interest relief which would be due to expire in 2010 following measures introduced in the last Budget, will now continue until 2017.

To encourage people to buy houses over the next three years the following is proposed:

- qualifying loans taken out before 1 July 2011 will continue to get relief at current levels for seven years; and
- transitional arrangements will apply to loans taken out in the subsequent 18 months at a reduced level and duration.

It is intended that mortgage interest relief will be abolished by the end of 2017.

High income earners

The so called 'high income earners restriction', which applies to those availing of certain tax incentives and deductions, is being further restricted in 2010.

When this restriction was originally introduced the intention was to ensure that those individuals availing of the specified reliefs would pay a minimum effective rate of tax.

This measure is being amended for 2010 and subsequent tax years in order to achieve an effective rate of income tax of 30% for those subject to the full restriction. The entry level threshold for the restriction will now occur at adjusted income levels of €125,000 and the full restriction will apply at €400,000. This compares to a 2009 threshold level of €250,000 and a minimum tax at full restriction of approximately half the top tax rate.



Personal tax

Pensions

Currently, lump sum payments from pension schemes on retirement can be paid tax free, within certain limits. The Minister has indicated that pension lump sums below €200,000 will continue to enjoy this tax free status.

The treatment of sums above this level, and the tax treatment of pensions, including a consolidated 33% rate of tax relief, is to be considered in the National Pensions Framework to be published shortly by the Government.



Business tax

Business tax

The Budget speech contained few tax measures aimed directly at corporates. The key points of interest were:

Corporation tax

The 12.5% corporation tax rate on trading income will remain unchanged.

Exemption for start-ups

The exemption from corporation tax and capital gains tax for certain trading start up companies in 2009 will be extended to new start-ups in 2010. The exemption applies for three years and is subject to certain anti-avoidance provisions.

Capital allowances

The scheme of accelerated capital allowances for energy efficient equipment is being extended to include

refrigeration and cooling systems, electro mechanical systems and catering and hospitality equipment.

PRSI exemption

A PRSI exemption will be introduced to encourage employers to recruit individuals who have previously been unemployed. Further details in relation to this scheme will be announced by the Minister for Social and Family Affairs.

Smart economy

Recent times have seen the introduction of significant tax incentives aimed at boosting Ireland's 'smart economy'. In particular, the R&D tax credit was substantially improved, while a new relief for Intellectual Property was introduced. Both reliefs

have the objective of creating high value added activity in Ireland.

An Innovation Taskforce was established to examine the impact of certain tax incentives on economic activity. Upon receipt of its report, the Minister will consider making further changes to the above tax incentives in the Finance Bill.

It is worth noting that the existing exemption for patent royalties/dividends was left untouched. However, it is possible that changes will be made to the patent regime in the Finance Bill. The Commission on Taxation report has recommended the abolition of the patent exemption.

Financial services sector

Ireland's tax regime is currently very favourably disposed towards the financial services and funds sectors. The Minister has expressed his desire for Ireland to become the 'European hub' for the funds industry and intends to introduce changes in the Finance Bill which will further strengthen our 'competitive edge'.

These changes will be very welcome in the current climate.



Capital taxes

Capital gains tax

No change announced in the Budget to the current capital gains tax rate of 25%.

Capital acquisitions tax

No change announced in the Budget to the current capital acquisitions tax rate of 25%.

Stamp duty

No changes announced in the Budget to the current rates of stamp duty.

NAMA – 'Windfall tax'

The recently passed National Asset Management Agency Act 2009 includes a windfall capital gains tax charge on any increase in the market value of development land which is attributable to a rezoning decision. The rezoning decision is one made on or after 30 October 2009.

The effective rate of capital gains tax liable on such a gain is 80% and it applies to relevant disposals on or after 30 October 2009.

In addition, any profits or gains made from carrying on a trade of dealing in, or developing land shall also be liable to an income tax rate of 80% to the extent such profits or gains are attributable to rezoning decisions on or after 30 October 2009. All other losses arising are ring fenced and not available to reduce the 'windfall' taxes.

NAMA itself is exempt from capital gains tax, income tax and corporation tax on any gains it makes.

Property tax

The Minister indicated that the Commission on Taxation's recommendation for the introduction of a property tax would be implemented.

Work is to commence shortly to register and value land in advance of the introduction of a site valuation tax.

Water charges

Similarly, the Government is committed to the introduction of a system of water metering in homes. Water charges, when introduced, will be based on the level of consumption above a certain free allocation.



Indirect taxes

VAT

The standard rate of VAT will reduce to 21% with effect from 1 January 2010.

A new margin scheme for used-car dealers is being introduced with effect from 1 January 2010 and the existing scheme is being phased out.

Excises

Alcohol

Excise duty will reduce from midnight on 9 December 2009 for the following items:

- beer and cider – 12 cent per pint (VAT inclusive);
- spirits – 14 cent per half glass (VAT inclusive); and
- wine – 60 cent per 75cl bottle (VAT inclusive).

Vehicle Registration Tax (VRT)

A car scrappage scheme is to be introduced with effect from 1 January 2010. VRT relief of up to €1,500 will be provided where a car of 10 years or older is scrapped and a new car (with CO₂ emissions less than 140g/km) is purchased.

Existing schemes which provide for relief of VRT on purchases of electric and hybrid vehicles which were due to expire on 31 December 2010 will be extended to 31 December 2012.

Carbon tax

A carbon tax of €15 per tonne (including VAT) is to be introduced on fossil fuels as follows:

- petrol and auto-diesel from midnight on 9 December 2009;
- kerosene, marked gas oil, liquid petroleum gas (LPG), fuel oil and natural gas from 1 May 2010; and
- coal and commercial peat – subject to commencement order. (Participants in the EU Emissions Trading Scheme (ETS) will be exempt from the tax in respect of the fuels so covered – on that basis electricity will not be subject to the tax).



Finance Bill 2010

Finance Bill 2010

As is the norm, the Budget speech alluded to certain other changes which will be introduced in the Finance Bill 2010 (due to be published in early February). The principal items flagged in the Budget were:

Curtailement of tax reliefs

The 'curtailment and removal' of certain tax reliefs will be outlined in the Finance Bill. The Commission on Taxation report had recommended that certain reliefs, principally those which facilitated the tax efficient transfer of businesses, be curtailed. It was expected that some changes might be introduced in the Budget itself. However, the

Minister has now given a clear indication that he intends to make certain changes in the Finance Bill. No further details were given.

The removal of existing reliefs in the Finance Bill will encourage those looking to restructure their affairs to do so in advance of the Finance Bill. It is likely that many traditional re-organisation structures will no longer be tax effective post Finance Bill 2010 publication.

National solidarity bond

A national solidarity bond will be introduced in the New Year with the purpose of raising funds to finance capital investment programmes. The taxation treatment of the bond

will be set out in the Finance Bill but the main features of the bond are expected to be:

- 5,7 or 10 year term;
- interest paid annually;
- redemption bonus for those who leave funds invested;
- possibility to invest in bond in instalments; and
- bond to be sold by NTMA.

Anti-avoidance measures

The Minister also announced his intention to introduce measures to tackle the shadow economy, smuggling and excise fraud and anti-avoidance schemes. Full details will be included in the Finance Bill.

It is worth noting that the Finance Bill normally includes other measures not detailed in the Budget speech.



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