

Supplementary Budget 2009

April 2009

In this summary we highlight the main provisions announced by the Minister for Finance today. If you require further clarification on any of these issues please do not hesitate to contact your Grant Thornton adviser.

Personal Tax

Income levy

The income levy rates which were first introduced in October's budget will now double and the income thresholds will reduce.

	Old		New	
	Income in excess of	Rate	Income in excess of	Rate
Lower Band	€ 18,304	1%	€ 15,028	2%
Middle Band	100,100	2%	75,036	4%
Higher Band	250,120	3%	174,980	6%

Health levy

The health levy contribution rates will double with the lower rate of 2% increasing to 4% and the higher rate of 2.5% increasing to 5%. The entry point to the higher rate threshold will reduce from €100,100 to €75,036 with effect from 1 May 2009.

Employee PRSI annual ceiling

The PRSI contribution ceiling will increase from €52,000 to €75,036 with effect from 1 May 2009.

Mortgage interest relief

Mortgage interest relief will be discontinued for any mortgage over 7 years from 1 May 2009.

Deposit Interest Retention Tax and Taxes on Life Assurance Policies and Investment Funds

The rates of retention tax that apply to deposit interest, together with the rates of tax that apply to (a) life assurance policies and (b) investment funds, are being increased by 2% in each case and will now be 25% and 28% respectively. The increased rates will apply to payments, including deemed payments, made from midnight on 7 April 2009.

Business Taxation

Income from dealing in residential development land

The special 20% rate applied to the trading profits from dealing in or developing residential development land is being abolished. The income will be charged at the person's relevant marginal rates of income tax or the 25% rate of corporation tax. This change will apply as regards Income Tax for the year of assessment 2009 and subsequent years and as regards Corporation Tax for accounting periods (or part thereof) ending on or after 1 January 2009.

Trading losses from dealing in residential development land

Where trading losses have been incurred from dealing in or developing residential development land in circumstances where, if trading profits had been made, they would have been eligible to be taxed at 20%, and a claim to use those losses has not been made to and received by the Revenue Commissioners before 7 April 2009, the losses will generally only be relievably (on a value basis) up to a maximum of 20%.

Where any such loss is a terminal loss, the restriction will be implemented by "ring-fencing" the loss and preventing an offset against other income.

Full details of both changes will be contained in the Finance Bill.

Capital allowances

The property-related accelerated capital allowance schemes in the Health Sector are to be terminated. This scheme covers private hospitals, registered nursing homes, convalescent homes and associated residential units as well as mental health centres.

Transitional arrangements will be put in place for projects that are at an advanced stage of development. The Finance Bill will contain further details on this measure.

Schemes for palliative care units and childcare facilities will remain in place.

Restriction in interest relief for rented residential property

The maximum amount of interest which can be claimed as a deduction against rental income for residential properties is being reduced to 75% of the total interest paid (previously 100%) with immediate effect. This measure will apply to both new and existing mortgages.

Commercial properties are not affected.

Corporation Tax

The corporation tax rates of 12.5% and 25% will remain unchanged.

Intellectual property

A scheme of tax relief is being introduced for the acquisition of intangible assets including intellectual property. Further details to be published in the Finance Bill.

Stamp Duty

Life assurance policies

A new 1% levy will be charged on Life Assurance Policy premiums received by an insurer on or after 1 June 2009.

Non-life insurance policies

The current non-life insurance levy of 2% is being increased. The new rate of 3% will apply to renewals and offers of insurance issued by an insurer on or after midnight on 7 April 2009, where premiums are received by the insurer on or after 1 June 2009.

Stamp Duty "Trade-in" Scheme

A Stamp Duty "Trade-in" Scheme will be established. No stamp duty will be payable by a person who accepts a traded-in property in exchange or part exchange for a new house/apartment. Stamp Duty will apply when the person subsequently sells on the traded-in house. Full details will appear in the Finance Bill.

Capital Gains Tax

The rate of capital gains tax is being increased from 22% to 25% in respect of disposals made from midnight on 7 April 2009.

Capital Acquisitions Tax

The rate of capital acquisitions tax is being increased from 22% to 25% in respect of gifts or inheritances taken from midnight on 7 April 2009.

The current tax free thresholds are being reduced by 20% as follows:

	Old	New
Group A (from parent to child)	€542,544	€434,000
Group B (from relatives - generally)	€54,254	€43,400
Group C (other)	€27,127	€21,700

This reduction applies in respect of gifts or inheritances taken from midnight on 7 April 2009.

VAT

VAT Margin Scheme for second-hand cars

A margin scheme is to be introduced for dealers of second-hand cars. The new scheme will apply from 1 July 2009. Second-hand cars acquired after that date and later resold will be taxed on the dealer's margin. Second-hand cars in stock on 1 July 2009 and sold after that date will be taxed on the re-sale price. Further details will be contained in the Finance Bill.

Excise Duties

Increase in mineral oil tax on auto-diesel

The mineral oil tax on auto-diesel will be increased by 5 cent per litre (including VAT) with effect from midnight on 7 April 2009.

Tobacco excise

The excise duty on a packet of 20 cigarettes will be increased by 25 cent (including VAT) with a pro-rata increase on other tobacco products, with effect from midnight on 7 April 2009.

Future taxation measures

The Budget speech gave clear indications that future tax increases, and the removal or reduction of various tax reliefs, are imminent. These changes can be expected to commence in Budget 2010 which will be presented in December 2009, by which time the Commission on Taxation will have reported.

While the particular tax increases and reliefs to be affected are not yet known, the Minister for Finance in his speech, specifically mentioned the following:

- the elimination of “unnecessary” or “unjustified” reliefs and shelters
- ensuring that capital is taxed in a “fair” manner
- a review of all areas of tax exempt incomes
- the introduction of a Carbon Tax
- a form of property tax and
- review of the taxation of pension lump sums

In view of the proposed changes, and in particular the signalling of a future focus on taxing capital assets, taxpayers would be well advised to avail of the tax reliefs on capital assets before they are withdrawn or diminished.

Talk to your tax adviser now to ensure all that can be done, is done!

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