



# Tax Matters

## July 2009

Welcome to the July 2009 edition of Tax Matters.

**In this edition of tax matters we alert you to potential changes to current tax reliefs.**

**Taxation of retirement benefits**

**Other tax reliefs under threat**

**What can be done?**

**Our specialists**



# Taxation of retirement benefits

## Introduction

The Minister for Finance, in his recent budget statement, announced that all tax reliefs are up for review. He said, “we need to broaden our tax base so that everyone makes a contribution. We will remove unjustified reliefs and we will ensure that capital is taxed in a fair manner...”

Reduced capital tax reliefs are anticipated, possibly as early as next December’s budget or perhaps even earlier!

The Commission on Taxation is currently reviewing the Irish tax structure. The report is due for publication soon and changes to the taxation system being examined by the Commission

could be in place shortly after.

## Taxation of retirement benefits

One area that is being examined, is the taxation of tax free cash at the point of retirement. There are proposals that a cap will be placed on the amount of tax free cash with the balance being liable to tax. There is also a possibility that ex-gratia termination payments might be affected.

Individuals in corporate pension schemes over the age of 50 and self employed individuals over the age of 60 should consult with Grant Thornton to discuss the options available to them with a view to minimising any potential exposure to tax in this area.

## What other reliefs are under threat?

The following tax reliefs amongst others are under threat:

- the ability to offset CGT on a sale/gift of assets against CAT on the same event;
- various tax exemptions e.g. patents etc.
- business property relief for capital acquisition tax (CAT) purposes. This reduces the taxable element by 90% of certain assets;
- there has already been a reduction in the CAT thresholds by 20%;
- retirement relief for capital gains tax (CGT) purposes;
- potential increases in CGT and CAT. These have gone from a 20% rate last year up to 25% currently. They have in the past been as high as 40%;



# What can be done?

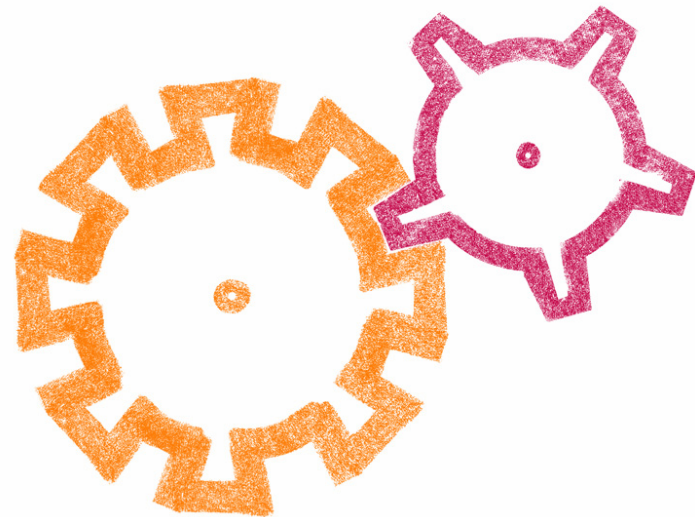
As asset values have declined, now is an appropriate time to plan.

Due to potential adverse changes, individuals should immediately consider planning their affairs, for instance, by transferring assets now, by way of sale, gift or a mixture of both.

Individuals now planning their affairs should consider accelerating the process in order to avail of low asset values and the current reliefs, rather than risk these being reduced or abolished altogether. In the present climate one thing we can be sure of in the short term, is that the tax burden is unlikely to reduce!

There are mechanisms which can be used to retain certain controls whilst at the same time transferring value, such as voting shares, family partnerships etc.

You can consult with Grant Thornton to discuss the options available.



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