



Tax Matters – Post Budget January 2010

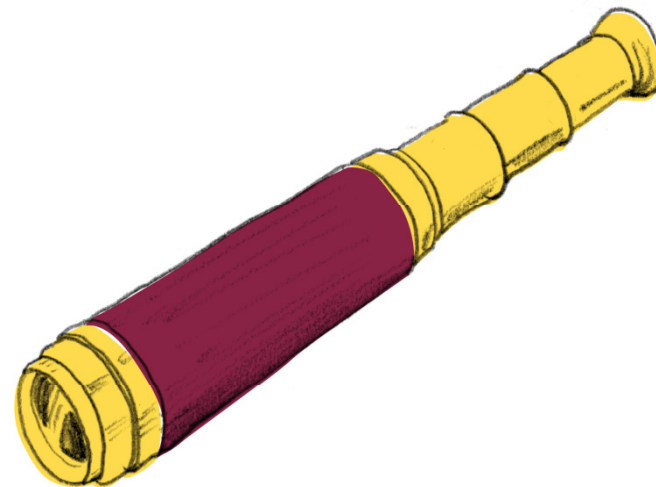
Welcome to the
January 2010 edition
of Tax Matters.

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Budget 2010 and pensions

Last month's budget speech did not herald any fundamental changes to income tax and no immediate changes to tax-relief on pension contributions or tax-free lump sums on retirement. However, the Minister for Finance signalled that changes impacting pensions are on the way and we await further details of these changes in due course.

Tax-free lump sums

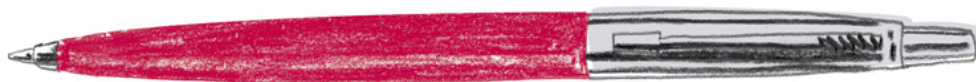
The Minister for Finance 'accepts the Commission on Taxation's recommendation that pension lump sums below €200,000 should not be taxed'. He added, 'the treatment of lump sums above this limit will be considered in the Government's National Pension Framework to be published shortly.'

Comfort is now provided with continuation of the tax exemption up to €200,000 and the possibility of still favourable treatment for higher amounts.

Tax-relief on contributions

Again, the Minister for Finance deferred the issue of consolidating pension contribution relief at 33% as a matter for consideration in the Government's National Pensions Framework.

Later, Minister for Social and Family Affairs, Mary Hanafin commented that, 'the National Pensions Framework document is due to be published in the next few months.' She added 'there would be a 4 year lead in period before major changes such as a consolidated tax relief rate of 33%.'



Finance Bill 2010

Succession planning in uncertain times

The Minister for Finance indicated in his recent budget speech that a curtailment and restriction of various existing reliefs could be outlined in the Finance Bill due in early February.

It is likely that any changes could be based on the recommendations made by the Commission on Taxation in their report late last year.

These changes could materially impact on individuals and families who wish to pass wealth or businesses on to the next generation.

In particular Capital Gains Tax (CGT) retirement relief and Capital Acquisition Tax (CAT) business/agricultural relief

could be capped at €3 million for transfers of qualifying assets between family members. The amount of CAT business relief granted could also be reduced from its current rate of 90% to 75% or lower.

This could cause significant hardship to sole traders, privately held businesses and farmers, giving rise to a tax liability on a transfer to the next generation, which family members could ill afford to pay.

Where succession planning has been considered in the past, and as values are at a historically low level, it may now be prudent to bring forward such plans and crystallise any transactions in advance of the Finance Bill in order to have certainty of the various reliefs available to you.

Grant Thornton can help you with all aspects of your succession plans, from the advisory stage, tailoring a solution to meet your needs and that of your family, to implementation of a tax efficient reorganisation of your business and finally advising on the drafting of your will and related tax matters.



General update

Capital Acquisitions Tax 2010 group thresholds

The Capital Acquisitions Tax group thresholds for gifts and inheritances taken in the calendar year 2010 have been adjusted as follows:

Group A €414,799 - Applies where the beneficiary is a child (including adopted children, step-children and certain foster children) or minor child of a deceased child of the disponent. In certain circumstances parents also fall within this threshold where they take an inheritance from a child.

Group B €41,481 - Applies where the beneficiary is a brother, sister, niece, nephew, or lineal ancestor or lineal descendant of the disponent.

Group C €20,740 - Applies in all other cases.

The group thresholds are indexed annually by reference to the Consumer Price Index (CPI).

This year the thresholds have been **reduced** in accordance with the CPI.

Corporation Tax changes for new start up companies

Special provisions for start up companies were introduced under Finance (No.2) Act 2008. The relief was introduced to encourage the establishment of new companies. New companies are given a three-year exemption from taxation on profits and certain capital gains where the tax liability is less than €40,000 per annum.

These provisions were subject to a commencement order which has now been signed and Budget 2010 extended the relief

to companies commencing in 2010.

Non Principal Private Residence (NPPR) charge reminder

A new annual charge of €200 was introduced in 2009 for owners of Irish residential property other than an individual's sole or main residence.

While the 2009 liability date was 31 July the liability date for subsequent years is 31 March so the next payment date is 31 March 2010. The charge must be paid within two months of that date.

P35 and RCT35 reminder

Employers are obliged to file end of year P35 returns by 15 February 2010. The penalty for late returns is now a fine of up to €4,000 and possible

prosecution for failure to submit a return.

Principal contractors are obliged to file the RCT35 by 15 February 2010 also. These may now be filed using Revenue's on line ROS system. Revenue have recently reiterated their intention that contractors who do not file their RCT35 form will be referred for prosecution.

Our specialists

Name	Position	E-mail	Telephone
Frank Walsh	Partner	frank.walsh@grantthornton.ie	+353 (0)1 680 5607
Bernard Doherty	Partner	bernard.doherty@grantthornton.ie	+353 (0)1 680 5611
Leslie Barrett	Partner	leslie.barrett@grantthornton.ie	+353 (0)61 312 744
Jim Kelly	Director	jim.kelly@grantthornton.ie	+353 (0)1 680 5780
Lorcan Hand	Director	lorcan.hand@grantthornton.ie	+353 (0)1 680 5770
Finbarr O'Connell	Director	finbarr.oconnell@grantthornton.ie	+353 (0)1 680 5771
Paula Keaney	Director	paula.keaney@grantthornton.ie	+353 (0)1 680 5769
Peter Vale	Director	peter.vale@grantthornton.ie	+353 (0)1 680 5952
David Keary	Director	david.keary@grantthornton.ie	+353 (0)1 680 5767
Eamonn Murphy	Director	eamonn.murphy@grantthornton.ie	+353 (0)61 312 744
Conail Flynn	Director	conail.flynn@grantthornton.ie	+353 (0)1 6805 742
Sasha Kerins	Manager	sasha.kerins@grantthornton.ie	+353 (0)45 448 852

Visit our website

Exit

24-26 City Quay, Dublin 2. T +353 (0)1 6805 805
 F +353 (0)1 6805 806 E tax@grantthornton.ie
 Mill House, Henry Street, Limerick. T +353 (0)61 312 744
 F +353 (0)61 317 691 E tax@grantthornton.ie
 Suites 3 & 4, Courtyard House, Newbridge, Co Kildare.
 T +353 (0)45 449 322 F +353 (0)45 449 324
 E tax@grantthornton.ie

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