



# Rynne Tully Ward

Chartered Accountants & Registered Auditors

## **BUDGET HIGHLIGHTS APRIL 2009**

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### **TUESDAY 7TH APRIL 2009**

#### **PERSONAL TAX**

- Income levy rates doubled and income bands lowered
- Health levy rates doubled and income band lowered
- Employee PRSI ceiling increased
- DIRT increased to 25%
- Mortgage interest relief available for first 7 years only
- Interest relief on residential rents reduced to 75%

#### **BUSINESS TAX**

- Introduction of tax relief for the capital cost of acquiring Intellectual Property
- 20% rate for dealing in residential development land abolished
- Capital allowance based reliefs for private hospitals and nursing homes abolished

#### **CAPITAL TAXES AND STAMP DUTY**

- CGT increased to 25%
- CAT increased to 25%
- CAT thresholds reduced by 20%
- Stamp Duty 'trade in' scheme for property introduced

#### **VAT**

- New VAT margin scheme for second-hand car dealing

#### **EXCISE DUTIES AND OTHER**

- 25c on 20 cigarettes
- 5c per litre on diesel
- New 1% levy on life assurance policies
- Non-life insurance levy increased to 3%

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## PERSONAL TAXATION

### Levies

- The income levy rates will be doubled with effect from 1 May 2009. The new rates are as follows:

Income Level	Income Levy
Up to €15,028	0%
From €15,029 - €75,036	2%
From €75,037 - €174,980	4%
Over €174,980	6%

- The health levy rates will be doubled with effect from 1 May 2009. A rate of 4% will apply to those earning over €500 per week (annual equivalent of €26,000). A rate of 5% applies to incomes in excess of €1,443 per week (annual equivalent of €75,036).
- The income ceiling for Employee PRSI contribution will increase from €52,000 to €75,036 with effect from 1 May 2009. No income ceiling for Self Employed PRSI.
- Annual effect of PRSI, Health Levy and Income Levy changes for an Owner Manager:

Annual Income	Additional Annual Cost
€25,000	€250
€50,000	€1,500
€100,000	€3,749
€200,000	€8,751

### Taxation on Savings

From 8 April 2009, the rate of retention tax applying to deposit interest earned is increased from 23% to 25% whilst the rate of tax applying to life assurance policies and investment funds is increased from 26% to 28%.

### Mortgage Interest Relief

From 1 May 2009, mortgage interest tax relief will be discontinued for any mortgage after 7 years.

### Interest Relief on Rented Residential Property

With immediate effect, the level of tax relief investors can claim in respect of loan interest on residential rental properties is being reduced to 75% of the interest incurred. Commercial properties are not affected.

### Income from Dealing in Residential Development Land

The 20% rate applied to trading profits from dealing in or developing residential land is abolished. New rules for the treatment of losses will be introduced.



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## **BUSINESS TAXATION**

- 12.5% corporation tax rate will be retained.
- A new relief for capital expenditure incurred on the acquisition of Intellectual Property to be introduced.
- Accelerated capital allowances abolished for private hospitals, registered nursing homes, convalescent homes and mental care centres. Schemes for palliative care units and childcare facilities will remain.

## **CAPITAL TAXES AND STAMP DUTIES**

- For disposals on or after 8 April 2009 the rate of CGT is increased from 22% to 25%.
- For gifts and inheritances on or after 8 April 2009 the rate of CAT is increased from 22% to 25%.
- For gifts and inheritances on or after 8 April 2009 the exempt thresholds for CAT are reduced as follows:
  - o Parent to child: reduced to €434,000
  - o Lineal ancestors and descendants: reduced to €43,400
  - o Non-related persons: reduced to €21,700
- A stamp duty "trade-in" scheme is to be introduced. The scheme will apply where a person accepts another property as consideration or part consideration for the sale of a new house/apartment. The stamp duty liability arising on the acquisition of the swapped/traded-in property will be deferred until the sale of that property. The scheme should have effect from the date of publication of the Finance Bill to 31 December 2010.

## **VAT**

- A margin scheme will be introduced for dealers in second-hand cars. The scheme will apply to second-hand cars acquired on or after 1 July 2009. Transitional measures will apply for second-hand cars acquired before 1 July 2009 and sold in the period 1 July 2009 to 31 December 2009.

## **FUTURE TAXATION MEASURES**

The Minister announced a number of potential taxation measures which may be introduced in the December 2009 Budget:

- Pensions regime including the treatment of lump sums.
- Property tax.
- Carbon tax.
- Child benefit to be means tested or taxed.
- Intends to restrict or abolish unnecessary reliefs.





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