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GRASPING FOR RECOVERY

BUDGET HIGHLIGHTS 2011



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PERSONAL TAX

INCOME TAX

- There were no changes to the Income Tax rates.
- The exemption limits, tax credits and standard rate bands applicable for the tax year 2011 are set out in detail on the back page. There are substantial changes from the previous year.
- The tax credits and rate bands have been reduced by circa 10% across the board.

UNIVERSAL SOCIAL CHARGE

- The Health Levy and Income Levy are to be abolished and replaced by a new Universal Social Charge. Details of the rates are set out on the back page.

PRSI CHANGES

- The PRSI ceiling for employees of €75,036 is abolished effective from 1 January 2011.
- PRSI rate for Class S self-employed individuals is increased from 3% to 4% from 1 January 2011.

PENSION CHANGES

- From 1 January 2011 employee contributions to occupational pension schemes and other pension arrangements will be subject to employee PRSI and the Universal Social Charge.
- The current employer PRSI exemption for employee contributions to occupational schemes and other pension arrangements will be reduced by 50% from 1 January 2011.
- The annual earnings limit which determines the maximum tax relievable contributions for pension purposes is being reduced from €150,000 to €115,000 for 2011.
- Top-up pension payments made in 2011 in respect of 2010 are restricted to a maximum earnings limit of €115,000.
- The maximum allowable pension fund for retirement for tax purposes is to be set at €2.3m with effect from 7 December 2010.
- The annual imputed distribution which applies to the value of assets in an Approved Retirement Fund (ARF) at 31 December each year is being increased from 3% to 5%.
- The overall life-time limit on the amount of tax free retirement lump sums that an individual can draw down from pension arrangements is being reduced to €200,000. Amounts between €200,000 and €575,000 will be taxed at the standard Income Tax rate with any amount in excess of €575,000 being taxed at the marginal rate of Income Tax.
- These changes take effect from 1 January 2011.

ENERGY EFFICIENCY TAX BREAK

- A new scheme is being introduced to encourage individuals to make their homes more energy efficient. Relief is to be given up to maximum expenditure of €10,000 at the standard rate of Income Tax. Credit will be given in the following tax year.

DIRT

- The rate of retention tax that applies to deposit interest is being increased from 25% to 27%. The increased rate will apply to payments made on or after 1 January 2011.
- The rate of tax that applies to life assurance policies and investment funds is also being increased by 2% from 28% to 30%.

ABOLITION OF RELIEFS

- Effective from the launch of the National Recovery Plan on 24 November 2010, Patent Royalty exemption and relief for Approved Share Option Schemes were abolished.

- Other reliefs abolished from 1 January 2011 are:
 - Tax relief on loans to acquire an interest in certain companies
 - Tax relief for trade union subscriptions
 - Tax exemption from BIK for employer provided childcare
 - Tax relief on subscriptions to professional bodies
 - Tax relief for new shares purchased by employees
- A number of other reliefs are also to be abolished and rent relief is to be phased out over 8 years.

TERMINATION PAYMENTS

- A restriction of the tax free element of ex-gratia termination payments to €200,000 is introduced whereby payments above this amount will be subject to tax at the marginal rate. This change will apply with effect from 1 January 2011.

ARTISTS EXEMPTION

- A ceiling of €40,000 on tax exempt earnings of artists has been introduced.

BUSINESS TAX

CORPORATION TAX RATE

- The Minister reiterated in his Budget speech that the 12.5% Corporation Tax rate will remain in place indefinitely.

ENERGY EFFICIENT EQUIPMENT

- The scheme of accelerated capital allowances for expenditure by companies on certain energy efficient equipment is being extended for a further 3 years to the end of 2014.

TAX EXEMPTION FOR START-UP COMPANIES

- The 3 year tax exemption for start-up companies is being extended to include start-up companies which commence a new trade in 2011. The scheme is being modified so that the value of the relief will be linked to the amount of employer's PRSI paid by a company in an accounting period subject to a maximum of €5,000 per employee.
- If the amount of qualifying employer's PRSI is lower than the reduction in Corporation Tax liability, relief will be based on the lower amount.

EMPLOYMENT AND INVESTMENT INCENTIVE

- The current Business Expansion Scheme is to be revamped and renamed as the Employment and Investment Incentive.
- Under the new incentive the limit that can be raised by companies will be increased from €2m to €10m and the amount that can be raised in any 12 month period will be increased from €1.5m to €2.5m.
- In addition, the certification requirement will be simplified and the new incentive scheme will expire on 31 December 2013.

MOTOR INDUSTRY INCENTIVE

- The car scrappage scheme is being extended to 30 June 2011.
- VRT relief of €1,250 will be provided where a car of 10 years or older is scrapped in accordance with certain criteria and a new car of emission bands A or B (i.e. with CO₂ emissions of 140g/kg or less) is purchased.
- The VRT relief for series production hybrid and flexible fuel vehicles, due to expire on 31 December 2010, is being extended for 2 years until 31 December 2012, with the rate of relief provided being up to €1,500.

RELEVANT CONTRACTS TAX (RCT)

- A new withholding rate of 20% will apply to subcontractors registered for tax with an established compliance record.
- The existing 35% rate is being retained for subcontractors not registered for tax.
- It is also intended to abolish the monthly repayment system and for it to be replaced with an offset system.

PROPERTY RELIEF RESTRICTIONS

Three new measures are being introduced which will restrict the various property based tax relief schemes:

Section 23 Type Relief

- From 1 January 2011 this relief will be restricted to income from the Section 23 property itself (currently such income can be set against all rental income).
- At the end of the 10 year holding period any unused relief will be lost. If property is sold within this period the new owner will not get the Section 23 relief and the seller continues to be subject to a clawback of relief already given.
- For Section 23 properties yet to be sold, for which relief is yet to be claimed, the 10 year qualifying period will start on 30 June 2011 regardless of the date of the first qualifying lease. Therefore, in such cases, no Section 23 relief will be available after 30 June 2021.
- Residential owner-occupier relief is unaffected by these changes.

Capital Allowances

- A number of restrictions have been introduced which apply solely to passive participants in capital allowance schemes.
- With effect from 7 December 2010 any unused capital allowances carried forward expire at the end of the period of the tax scheme.
- From 2011 onwards capital allowances will be restricted to offset against income from the property which gave rise to them, whether rental or trading income, with no setting sideways against any other form of income.
- Schemes with a period over 10 years which has not ended will be truncated to 7 years from when allowances are first made.
- Capital allowances limited by truncation will be reduced by 20% and may be made evenly in the year of assessment 2011 and all subsequent years of assessment up to and including the 7th year after the allowance was first made.

Guillotine from 2014

- Termination of all unclaimed and unused capital allowances arising after or carried forward from 2014 as well as unused Section 23 relief carried forward from 2014.

Impact Assessment

- An impact assessment will be undertaken into the affects of the phased abolition of the property based measures and the guillotine provision.

STAMP DUTY

- A reduction in rate for transfers of residential property to 1% on properties valued up to €1million, with 2% applying to amounts over €1million is introduced in respect of instruments executed on or after 8 December 2010.
- There is an abolition of various reliefs and exemptions in respect of instruments executed on or after 8 December 2010 as follows:
 - First time buyer relief
 - Exemption for new houses under 125 sq m in size
 - Relief on new houses over 125 sq m in size
 - Consanguinity relief for residential property transfers
 - Exemption for residential property transfers valued under €127,000
 - Site to child relief.

OTHER TAXES AND DUTIES

- The current group tax free thresholds for Capital Acquisition Tax are being reduced by 20%. This reduction applies in respect of gifts or inheritance taken from midnight on 7 December 2010.
- The current VRT flat rate of €50 for commercial (Category C) vehicles is being increased to €200, to take effect from 1 May 2011.
- There were no changes to Capital Gains Tax and VAT.

MISCELLANEOUS

EXCISE DUTIES

- Excise will be increased by 4c per litre on petrol and 2c per litre on auto-diesel, both increases being inclusive of VAT. These increases will take effect from midnight 7 December 2010.
- A single revised rate of air travel tax of €3 will come into effect on 1 March 2011 on a temporary basis to be reviewed at the end of 2011.

SOCIAL WELFARE CHANGES

- There have been no changes to the rate of State pension payments for 2011.
- Child benefit rates will be reduced by €10 per month from January 2011 on both lower and higher rate with an additional €10 per month decrease for the third child.

TO ASSIST THE UNEMPLOYED

- An additional 15,000 activation places and supports are to be introduced.
 - The skills development and internship programme will provide up to 5,000 places in the private sector.
 - The work placement programme will provide up to 5,000 places in the public service.
 - A new community work placement scheme will provide up to 5,000 additional places in the community and voluntary sector.

PERSONAL TAX FACTS

TAX CREDITS FOR TAX YEAR 2011

	2011	2010		2011	2010
	€	€		€	€
PERSONAL					
Single	1,650	1,830	INCAPACITATED CHILD	3,300	3,660
Married	3,300	3,660	DEPENDANT RELATIVE	70	80
Widowed Person	2,190	2,430	BLIND PERSON		
Lone Parent	3,300	3,660	Single / Married	1,650	1,830
PAYE	1,650	1,830	Married (both blind)	3,300	3,660
WIDOWED PARENT BEREAVEMENT			AGE CREDIT		
Tax Credit year 1	3,600	4,000	Single / Widowed	245	325
- Tapering to year 5	1,800	2,000	Married	490	650

INCOME TAX RATES

SINGLE PERSONS 2011	MARRIED PERSONS 2011 (Two Incomes) [*]
20% First €32,800	20% First €65,600 [*]
41% Balance	41% Balance
LONE PARENT	(One Income)
20% First €36,800	20% First €41,800
41% Balance	41% Balance

^{*}Transferable between spouses up to a maximum of €41,800 for any one spouse

INCOME EXEMPTION LIMITS

	2011	2010
	€	€
Single or Widowed 65 years or over	18,000	20,000
Married Couples 65 years or over	36,000	40,000

UNIVERSAL SOCIAL CHARGE

EMPLOYEES & SELF-EMPLOYED

USC	2011
	0.00% on first €4,004
	2.00% on €0 to €10,036
	4.00% on €10,037 to €16,016
	7.00% on excess over €16,016

INCOME LEVY

EMPLOYEES & SELF-EMPLOYED

Income Levy	2010
	2.00% on first €75,036
	4.00% on €75,036 to €174,980
	6.00% on excess over €174,980

PRSI

EMPLOYER	2011	2010
Contribution for Class A		
PRSI	10.05%	10.05%
Training Levy	0.70%	0.70%
TOTAL FOR EMPLOYER	10.75% on all income	10.75% on all income
	8.5% on earnings less than €357 p.w.	8.5% on earnings less than €357 p.w.
EMPLOYEE		
PRSI	** 4.00% on all income	*/** 4.00% on first €75,036
Health	0.00% abolished	*** 4.00% on first €75,036 5.00% on balance
SELF-EMPLOYED / DIRECTORS CONTRIBUTIONS		
PRSI	**** 4.00% on all income	**** 3.00% on all income
Health	0.00% abolished	*** 4.00% on first €75,036 5.00% on balance

*First €127 p.w. exempt from PRSI. Abolished from 01/01/2011

** Not applicable if earnings less than €18,300 p.a. (€352 p.w.)

*** Health Levy threshold remains at €26,000 p.a. (€500 p.w.). Abolished from 01/01/2011

**** 4% subject to minimum payment of €254