

BUDGET SUMMARY 2009

INCOME TAX

In his Budget Statement on 14 October 2008, the Minister for Finance announced a number of changes to the personal tax system.

Tax Credits

The table below outlines the changes for 2009.

Tax Credit	2008 €	2009 €
Single Person	1,830	No change
Married Person	3,660	No change
PAYE Credit	1,830	No change
Widowed Person (without dependant children)	2,430	No change
One Parent Family Credit	1,830	No change
Incapacitated Child Credit Max	3,660	No change
Blind Tax Credit		
Single Person	1,830	No change
One Spouse Blind	1,830	
Both Spouses Blind	3,660	
Widowed Parent Bereaved in 2008	-	No change
2007	4,000	
2006	3,500	
2005	3,000	
2004	2,500	
2003	2,000	
Age Tax Credit		
Single/Widowed	325	No change
Married	650	
Dependent Relative	80	No change
Home Carer	900	No change

The following reliefs remain unchanged:

Relief (Allowed at the taxpayer's top rate of tax)	2008 € Max	2009 € Max
Employing a Carer	50,000	No change

Changes to Standard Rated Reliefs are as follows:

(Allowed at 20% rate band)

Rent Tax Relief	2008 € Max	2009 € Max
Single - under 55	2,000	No change
Married/Widowed - under 55	4,000	
Single - 55 & over	4,000	
Married/Widowed - 55 & over	8,000	
Trade Union Subscriptions	350	No change

Service Charges

Relief on service charges remains unchanged. A maximum of €400 tax relief is granted (at 20% tax rate) in 2009 for service charges paid in the year 2008.

Rent-a-Room Scheme

The limit of the exemption from income tax, which applies to rent, received, where a person rents out a room or rooms in his or her principle private residence, remains unchanged at €10,000.

Tax Rates and Tax Bands.

The tax rates remain unchanged at 20% (standard rate) and 41% (higher rate).

The table below sets out the tax rates and bands.

Personal Circumstances	2008 €	2009 €
Single/Widowed without dependant children	35,400 @ 20% Balance @ 41%	36,400 @ 20% Balance @ 41%
Single/Widowed qualifying for One Parent Family Tax Credit	39,400 @ 20% Balance @ 41%	40,400 @ 20% Balance @ 41%
Married Couple one spouse with Income	44,400 @ 20% Balance @ 41%	45,400 @ 20% Balance @ 41%
Married Couple both spouses with Income	44,400 @ 20% with increase of 26,400 max. Balance @ 41%	45,400 @ 20% with increase of 27,400 max. Balance @ 41%

Exemption Limits

There is no change to the exemption limits for persons aged 65 years and over:

Personal Circumstances	2008 €	2009 €
Single/Widowed 65 years of age & over	20,000	No change
Married Couple 65 years of age & over	40,000	No change

Marginal Relief will continue to apply where income does not greatly exceed the relevant exemption limit.

The above exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and subsequent children.

Health Expenses Relief

Health expenses relief will be granted at the standard rate for expenses incurred from 1 January 2009 with the exception of nursing home expenses, which will be standard rated from 1 January 2010.

INCOME LEVY

A new income levy is being introduced that will apply at the rate of 1% to gross income up to €100,100 per annum or €1,925 per week. A rate of 2% will apply to income in excess of that amount.

The levy is paid on gross income, before deductions for capital allowances or contributions to pensions.

The levy does not apply to social welfare payments including contributory and non-contributory social welfare pensions.

Tax Relief at Source – Mortgage Interest Relief

The current rate of mortgage interest relief is being increased from 1 January 2009 for first time buyers from 20% to 25% in years 1 and 2 and to 22.5% in years 3, 4 and 5. The relief remains unchanged at 20% for years 6 and 7.

The rate of mortgage relief for non-first time buyers is being reduced from 20% to 15% from 1 January 2009.

There is no change to the existing annual ceilings on the amount of interest that can be allowed on a mortgage:

	Single	Married
First-time buyers	€10,000	€20,000
Non first-time buyers	€3,000	€6,000

Specified Rates for Preferential Home Loans and Other Loans

There is no change to the existing specified rate in respect of home loans.

The specified rate in respect of loans other than home loans is being increased from 13% to 15%. This change will take effect from 1 January 2009.

Change in the basis of Benefit-in-Kind Charge for Company Cars

The Finance Bill will contain provisions to change the basis of the BIK charge on company cars to relate it to the cars' level of CO2 emissions.

Cycle to work scheme

From 1 January 2009, the provision of bicycles and associated safety equipment by employers to employees who agree to use the bicycles to travel to work will be treated as a tax-exempt benefit-in-kind.

This tax exemption may only apply once in every 5-year period in respect of any one employee/director. There will be a limit of €1,000 on the amount of expenditure an employer can incur in respect of any one employee/director.

The scheme may also be implemented via salary sacrifice arrangements, whereby an employee agrees to forego part of her or her salary to cover the costs associated with the purchase of the bicycle and associated safety equipment. Where such salary sacrifice arrangements are implemented they must be completed over a maximum period of 12 months.

PARKING LEVY

Levy on car parking facilities provided to employees by their employers

A flat rate levy of €200 per annum will be charged on employees whose employer provides them with car parking facilities. The levy will be confined to employer provided car-parking facilities situated in the main urban centres. Further details relating to this will be announced at a later date.

PENSIONS

Contribution Limit

The annual earnings limit for determining maximum tax-relievable contributions for pension purposes is being set

at €150,000 for 2009 compared to the 2008 limit of €275,239.

Indexation of Maximum Allowable Pension Funds

The adjustment, in line with an earnings index, of the maximum allowable thresholds for pension funds on retirement (the standard and personal fund thresholds) will not be made for 2009.

VAT

Increase in standard rate

The standard rate of VAT will be increased from 21% to 21.5% with effect from 1 December 2008. This increase will apply to all goods and services, which are currently subject to VAT at 21%.

CORPORATION TAX

Preliminary Tax Payment dates for Large Companies

Companies with a corporation tax liability of more than €200,000 in their previous accounting period are obliged to pay preliminary corporation tax, amounting to 90% of the final liability for the current accounting period, one month before the end of the current accounting period (but not later than the 21st of the relevant month). The current single payment for such companies' preliminary corporation tax will now be due in two instalments. This will apply to accounting periods commencing on or after 14 October 2008.

The first instalment will be payable in the 6th month of the accounting period (i.e. 21 June for a company with calendar year accounts) and the amount payable will be 50% of the corporation tax liability in the preceding accounting period or 45% of the corporation tax liability for the current accounting period.

The second instalment will be payable (as at present) in the 11th month of the accounting period (i.e. 21 November for a company with calendar year accounts) and the amount payable will bring the total preliminary tax paid to 90% of the corporation tax liability for the current accounting period.

Tax Credit scheme for Research and Development Expenditure

The current 20% rate of tax credit for incremental expenditure undertaken by a company on qualifying research and development (R&D) is being increased to 25%. This will apply to accounting periods commencing on or after 1 January 2009.

3 Year tax exemption for Start-up Companies

New start-up companies which commence trading in 2009 will be exempt from corporation tax and capital gains tax in each of the first 3 years provided that their tax liability in the year does not exceed €40,000.

This measure is being examined to ensure that it is in compliance with EU rules on State-Aid. Further details of this incentive will be contained in the Finance Bill.

CAPITAL GAINS TAX

Change in rate of Tax

The rate of capital gains tax is being increased to 22% from 20% in respect of disposals made from midnight on 14 October 2008.

Change in Payment Dates

The payment date for tax in respect of disposals in the period January to November is being changed to mid-December and the tax on disposals in December will now be due on the following 31 October (the existing pay and file date). This applies to the year of assessment 2009 and subsequent years.

CAPITAL ACQUISITIONS TAX

There were no changes announced in the Budget.

EXCISES

Increase in Mineral Oil Tax on Petrol

The mineral oil tax on petrol will be increased by 8 cent per litre (including VAT) with effect from midnight on 14 October 2008. The same increased rate will apply to aviation gasoline from 1 November 2008. The new unleaded petrol rate is €508.79 per 1,000 litres.

Tobacco Excise

The excise duty on a packet of 20 cigarettes is being increased by 50 cent (including VAT) with a pro-rata increase on other tobacco products with effect from midnight on 14 October 2008.

Alcohol Excise

Excise duty on a standard bottle of wine is being increased by 50 cent (including VAT) with effect from midnight on 14 October 2008. Pro-rata increases are also being applied to other wines, and certain other fermented and intermediate beverages.

A reduced rate of excise duty is being introduced for lower strength beer and lower strength cider and perry which, when VAT is included, amounts to a reduction of 19 cent on a pint of beer not exceeding 2.8% volume and 28 cent on a pint of cider not exceeding 2.8% in volume from midnight 14 October 2008.

Excise Licences

A range of alcohol-related licencing fees, including off-licences but excluding pub licences, are being increased to €500 in each case. These increases will apply from the appropriate renewal dates in 2009.

Betting Duty

The betting duty rate will be increased from 1% to 2% with effect from 1 January 2009. Betting duty is charged on bets placed with a bookmaker, other than on on-course bets. Bets placed on the tote are exempt.

Air Travel Tax

An air travel tax applying to all departures from Irish airports will come into force on Monday 13 March 2009. The general rate applying will be €10 per passenger with a lower rate of €2 for shorter air journeys (those under 300km).

The Finance Bill will provide that the tax will be payable by the appropriate airport authority to the Revenue

Commissioners in respect of passengers departing from Irish airports on or after 30 March 2009. In effect the airport authority will collect the tax from the airlines.

The air travel tax will not apply to:

- passengers under 2 years
- disabled passengers and assisting persons
- aircraft with less than 20 passenger seats
- transit passengers
- members of the crew
- air services to and from Irish offshore islands
- aircraft departing airports that in the previous calendar year had less than 10,000 departing passengers.

FARMING TAXATION

Farmers' Flat Rate Addition

The farmer's flat rate addition is being maintained at 5.2% for 2009. The flat rate is designed to recoup non-VAT registered farmers for the VAT they incur on their inputs.

Extension of Stamp Duty Relief for Young Trained Farmers

Stamp duty relief is available for farmers acquiring land, who are aged under 35 and have specific agriculture training. The relief is due to terminate on 31 December 2008. This relief is now being extended for a further period of 4 years and the relief will apply in respect of instruments executed no later than 31 December 2012

Extension of Farm Duty Relief for Farm Consolidation

Stamp duty relief is available to a farmer consolidating his/her holding. The relief is due to terminate on 30 June 2009 and this termination date will be extended to 30 June 2011.

Farmers' Stock Relief

Provision is being made to renew the 25% general farming stock relief and the special 100% stock relief for Young Trained Farmers for a further 2 years to 31 December 2010.

Farm Pollution Control Relief

Provision is being made to extend the 31 December 2008 deadline of the scheme of capital allowances for expenditure on certain pollution control measures relief to 31 December 2010.

CAPITAL ALLOWANCES

Accelerated Capital Allowances Scheme for Certain Energy Efficient Equipment

The tax incentive (introduced in Finance Act 2008) which provides for accelerated capital allowances of 100% of expenditure incurred by companies in the year the equipment is purchased, is being extended from three categories to seven categories. The new categories to be included in this scheme are:

- Data server related systems and large energy saving office equipment associated with information and Communications Technology
- Efficient heating/electricity provision equipment and control systems

- Efficient electrical and control equipment associated with Process and Heating Ventilation and Air-Conditioning systems
- Alternative fuel vehicles.

Capital Allowances for Newly Constructed Commercial Buildings

Where newly constructed commercial buildings are used before being sold and the sale does not take place within one year of first use, the purchaser receives the value of available capital allowances on expenditure on a more restrictive basis. This makes the purchase of the building a less attractive option. Accordingly, the one-year time limit for disposal is being extended to two years.

Seveso-Listed Industrial Facilities

A new ring-fenced tax incentive scheme will be introduced to facilitate the removal and relocation of Seveso-listed industrial facilities, which hinder the residential and commercial regeneration of Docklands in urban brownfield areas. The EU Seveso Directive (96/82/EC) seeks to protect public safety by placing land-use restrictions on new residential and commercial development near locations where potentially dangerous activities are undertaken. Further details will be outlined in the Finance Bill.

This scheme is subject to clearance by the European Commission from an EU State-Aids perspective.

STAMP DUTY

Commercial Property

The current stamp duty applicable to non-residential property is being changed in respect of instruments executed on or after 15 October 2009. The top rate of duty is being reduced from 9% to 6% and the new rates are:

Aggregate Consideration	Rate of Duty
Up to €10,000	Exempt
€10,001 to €20,000	1%
€20,001 to €30,000	2%
€30,001 to €40,000	3%
€40,001 to €70,000	4%
€70,001 to €80,000	5%
Over €80,000	6%

Financial Cards

Changes are being made to stamp duties applicable to ATM and Debit cards. The rate changes are summarised as follows:

Description	Current	New
ATM cards	€5	€2.50
Debit cards	€5	€2.50
Combined ATM/Debit cards	€10	€5

The changes for ATM and Debit cards will take effect for the year ending 31 December 2008, the duty for which is normally collected from bank customers by financial institutions in early 2009.

There is no change in the stamp duty on credit cards and charge cards which remains at €30.

Bills of Exchange (including cheques)

The stamp duty rate on bills of exchange is being increased from 30 cent to 50 cent in respect of bills of exchange drawn on or after 15 October 2008. In the case of cheques, the increase will apply in respect of cheques applied by financial institutions to customers on or after 15 October 2008.

Deposit Interest Retention Tax (DIRT) and Tax Rates 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 3 percentage points to 23% and 26% respectively. The increased rates will apply to payments including deemed payments, made on or after 1 January 2009. Full details in relation to DIRT will be included in the Finance Bill.

Filing of Tax Returns

To encourage take-up of Revenue's online services (ROS) a general extension to existing deadlines for returns filing and payment of tax is being made where returns and payments are made via Revenue's online systems. Details will be provided in the Finance Bill.

PRSI

Employee's PRSI Annual Earnings Ceiling

The PRSI contribution ceiling will increase from €50,700 to €52,000 from 1 January 2009.