FMB Chartered Accountants

Longboat, 56 Sir John Rogersons Quay, Dublin 2.
Phone: +353-1-645 2002
Fax: +353-1-645 2049
WEB: www.fmb.ie

BUDGET HIGHLIGHTS 2012

BUDGET HIGHLIGHTS 2012

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 2012 are set out in detail on the back page. There are no changes from the previous year.

UNIVERSAL SOCIAL CHARGE

- From 1 January 2012 the exemption limit will be raised from €4,004 to €10,036. Individuals with total income in excess of €10,036 will be liable to the Universal Social Charge on all income.

MORTGAGE INTEREST RELIEF

- To support first time buyers who acquired property between 2004 and 2008 there is an increase in the rate of mortgage interest relief to 30%.
- Mortgage interest relief will no longer be available to house purchasers who purchase after the end of 2012 and will be fully abolished from 2018.
- For those who buy a home in 2012 the following apply:
  - First time buyers will get mortgage relief at a rate of 25%.
  - Non-first time buyers will benefit from relief at 15%.

PROPERTY TAXATION

The impact assessment undertaken to review the proposed measures announced by the previous Government have shown that the proposals were unworkable. The following proposals are now to be implemented:

- Property relief surcharge of 5% will be imposed on investors with an annual gross income over €100,000. This will apply on the amount of income sheltered by property relief in a given year.
- Section 23 relief will not be terminated or otherwise restricted for investors with annual gross income under €100,000.
- Investors in accelerated capital allowance schemes will no longer be able to use any capital allowances beyond the tax life of the particular scheme where that tax life ends after 1 January 2015. Where the tax life of a scheme has ended before 1 January 2015 no carry forward of allowances into 2015 will be allowed.

PENSION CHANGES

- The current employer PRSI exemption for employee contributions to occupational schemes and other pension arrangements will be abolished from 1 January 2012.
- The annual imputed distribution which applies to the value of assets in an Approved Retirement Fund (ARF) and similar products at 31 December each year is being increased from 5% to 6%.
- There is an increase in the rate of tax on the transfer of an ARF on death to a child over 21 from 20% to 30%.

DIRT

- The rate of retention tax that applies to deposit interest is being increased from 27% to 30%. The increased rate will apply to payments made on or after 1 January 2012.
- The rate of tax that applies to life assurance policies and investment funds made less frequently than annually is also being increased by 3% from 30% to 33%.

ABSENTEEISM

- The existing tax exemption for the first 36 days of illness benefit and occupational injury benefit is being removed.

BUSINESS TAX

CORPORATION TAX RATE

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

VAT

- The standard rate of VAT will be increased by 2% from 21% to 23% with effect from 1 January 2012.

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 2012, 2013 and 2014.

FOREIGN EARNINGS DEDUCTION

- Companies will be able to avail of the proposed Foreign Earnings Deduction where they plan to expand their export markets into BRICS countries. Further details are to be announced in the Finance Bill.

RESEARCH AND DEVELOPMENT EXPENDITURE

- The first €100,000 of R&D expenditure of all companies will be allowed on a volume basis for the purpose of the 25% R&D tax credit.
- The outsourcing arrangements for R&D purposes will be improved in a targeted manner to allow the greater of the existing percentage arrangement or €100,000.
- Companies will have the option to use some portion of the R&D tax credit to reward key employees who have been involved in the development of R&D.

CAPITAL TAXES

CAPITAL GAINS TAX

- The rate of Capital Gains Tax is increased to 30% from 25% in respect of disposals made after 6 December 2011.
- A new Capital Gains Tax incentive for property purchased between 6 December 2011 and 31 December 2013 has been introduced. Where the property is bought during this period and held for at least 7 years the gain attributable to that 7 year holding period will be relieved from Capital Gains Tax.

CAPITAL ACQUISITIONS TAX

- The Capital Acquisitions Tax rate is increased to 30% from 25% in respect of gifts and inheritance made after 6 December 2011.
- The new class thresholds are set out hereunder:

GROUP	UP TO 6 DECEMBER 2011 €	POST 6 DECEMBER 2011 €
A-Parent to child	332,084	250,000
B-Between related persons	33,208	33,208
C-Between non-related persons	16,604	16,604

STAMP DUTY

- The Stamp Duty rate for commercial property transfers will be reduced from the current top rate of 6% to a flat rate of 2% on all amounts from midnight 6 December 2011 in respect of all non-residential property transactions.
- Consanguinity relief on transfers of non-residential properties to be retained for intra-family transfers to 31 December 2014.

FARMER TAXATION

RETIREMENT RELIEF

- Full retirement relief will continue to be available from Capital Gains Tax on intra-family transfers for individuals aged 55 – 66. An upper limit of €3m on retirement relief for business and farming assets disposed of within the family is introduced where the individual transferring the assets is aged over 66.
- The current upper limit of €750,000 for assets transferred outside the family for individuals aged between 55 and 66 years will be maintained. However this limit is being reduced from €750,000 to €500,000 for individuals aged over 66 years.
- The new limits do not apply for a transitional period of 2 years for individuals currently aged 66 or who reach that age before 31 December 2013.

STOCK RELIEF FOR REGISTERED FARM PARTNERSHIPS

- An enhanced 50% stock relief (100% for certain young trained farmers) for registered farm partnerships is being introduced and will continue until 31 December 2015.

VAT

- The existing VAT refund order which provides for the refund of VAT paid by unregistered farmers is being extended to include wind turbines purchased from 1 January 2012.
- The rate of VAT on admission to open farms will apply at the reduced rate of 9% from 1 January 2012.

MISCELLANEOUS

REDUNDANCY AND INSOLVENCY SCHEME

- The employer rebate for redundancy payments has been reduced from 60% to 15% with effect from 1 January 2012.

HOUSEHOLD CHARGE

- A household charge of €100 per dwelling is being introduced in 2012.

MOTOR TAX

- Motor Tax rates across all categories will increase with effect from 1 January 2012.

EXCISE DUTIES

- Excise duty on a packet of 20 cigarettes is increasing by 25c from midnight on 6 December 2011. There will be pro-rata increases on all other tobacco products.

CARBON TAX

- The increase in Carbon Tax will be applied to petrol and auto-diesel from midnight 6 December 2011.
- A double Income Tax deduction will be given to farmers to compensate for the increased costs arising in the changes announced in Carbon Tax.

As this release is intended as a general guide to the subject matter, it should not be used as a basis for decisions. For this purpose advice should be obtained which takes into account all the client's circumstances. Every effort has been made to ensure the accuracy of the information in the release. In view of its purpose the reader will appreciate that we are unable to accept liability for any errors or omissions which may arise.

PERSONAL TAX FACTS

TAX CREDITS FOR TAX YEAR 2012

	2012 €	2011 €
PERSONAL		
Single	1,650	1,650
Married	3,300	3,300
Widowed Person	2,190	2,190
Lone Parent	3,300	3,300
PAYE	1,650	1,650
WIDOWED PARENT BEREAVEMENT		
Tax Credit year 1	3,600	3,600
- Tapering to year 5	1,800	1,800

	2012 €	2011 €
INCAPACITATED CHILD	3,300	3,300
DEPENDANT RELATIVE	70	70
BLIND PERSON		
Single / Married	1,650	1,650
Married (both blind)	3,300	3,300
AGE CREDIT		
Single / Widowed	245	245
Married	490	490

INCOME TAX RATES

SINGLE PERSONS
2012

20% First €32,800
41% Balance

LONE PARENT
20% First €36,800
41% Balance

MARRIED PERSONS
2012

(Two Incomes)
20% First €65,600*
41% Balance

(One Income)
20% First €41,800
41% Balance

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

INCOME EXEMPTION LIMITS

	2012 €	2011 €
Single or Widowed 65 years or over	18,000	18,000
Married Couples 65 years or over	36,000	36,000

UNIVERSAL SOCIAL CHARGE

EMPLOYEES & SELF-EMPLOYED

2012
0.00% on total earnings <€10,036
2.00% on €0 to €10,036
4.00% on €10,037 to €16,016
7.00% on excess over €16,016

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

PRSI

EMPLOYER	2012	2011
Contribution for Class A		
PRSI	10.05%	10.05%
Training Levy	0.70%	0.70%
TOTAL FOR EMPLOYER	10.75% on all income 4.25% on earnings less than €357 p.w.	10.75% on all income ****4.25% on earnings less than €357 p.w.
EMPLOYEE		
PRSI	*/**4.00% on all income	*/**4.00% on all income
SELF-EMPLOYED / DIRECTORS CONTRIBUTIONS		
PRSI	***4.00% on all income	***4.00% on all income

*First €127 p.w. exempt from PRSI.
**Not applicable if earnings less than €18,300 p.a. (€352 p.w.)
***4% subject to minimum payment of €254
****4.25% applicable from 1 July 2011. 8.5% previously