

# BUDGET SUMMARY 2010

In his Budget Statement on 9<sup>th</sup> December 2009, the Minister for Finance announced very few changes to the tax system:-

## Income Tax 2010

### PERSONAL TAX

#### Reform of the Income Tax System

The Minister has announced reform of the income tax system to make it simpler, fairer and broader. The Minister envisages a universal social contribution paid by all workers at a low rate (which will replace the current PRSI/health levy/income levy), and income tax will apply on a progressive basis as earnings increase. The objective is to introduce this new income tax system in 2011.

#### Tax Credits

There have been no changes announced to the personal tax credits or to standard rate cut-off points.

#### Restriction of Reliefs

The restriction of reliefs measure is being amended for 2010 and subsequent tax years in order to achieve an effective rate of income tax of 30% for those subject to the full restriction (on top of which they will also pay PRSI and levies). The entry level threshold for the restriction will now occur at adjusted income levels of €125,000 and the full restriction will apply at €400,000.

#### Mortgage Interest Relief

Qualifying loans taken out before 1 July 2011 will continue to get relief for 7 years. Transitional measures will be provided for qualifying loans taken out between 1 July 2011 and end 2013. Those whose entitlement to relief would, in the absence of this change, expire in 2010 or after, will continue to qualify for relief at the applicable rate up until end 2017. The Minister indicated that the relief will be abolished entirely by the end of 2017.

Additionally, homeowners who are now in negative equity whose entitlement to mortgage interest relief would expire in 2010 or after, will now continue to receive it up to end of 2017.

#### Non-resident nationals

Irish non-resident nationals and domiciled individuals will pay €200,000 in any year where their income exceeds €1m and their Irish located capital exceeds €5m. This will apply regardless of

where the individual is tax resident. Details to be announced in the Finance Bill.

### Pension Lump Sums

The National Pensions Framework will separately consider the tax treatment of lump sums above €200,000. Lump sums less than €200,000 will continue to be exempt.

## BUSINESS TAXATION

### Corporation Tax Rate

The 12.5% corporation tax rate will remain unchanged. The Minister emphasised that this rate will continue as a central part of Ireland's "economic brand".

### Capital Allowances for Certain Energy Efficient Equipment

Extension of the existing capital allowances scheme for energy efficient equipment purchased by companies from seven categories of eligible equipment to ten. The new categories are refrigeration and cooling systems, electro-mechanical systems, and catering and hospitality equipment.

### Tax Exemption for Start-Up Companies

There is an extension of the existing scheme providing a three year exemption from tax on the income and gains of new start-up companies to include companies who commence trading in 2010. This scheme provides for an exemption from corporation tax and capital gains tax for new start-up companies to the extent that their liability in each year does not exceed €40,000.

## VALUE ADDED TAX

### Rate decrease

The standard rate of VAT will be reduced from 21.5 to 21 per cent with effect from 1 January 2010. There will be no change for goods and services liable at the 0% or 13.5% rates.

### Farmers

The farmers' flat rate addition is being maintained at 5.2% for 2010.

## FARMING TAXATION

### Relief from Income Levy for certain Farm expenditure

Relief from the income levy will be allowed in respect of certain expenditure incurred by farmers to comply with the requirements of the EU Nitrates Directive 91/676/EEC.

## **EXCISE DUTY**

### **Rate Decreases**

Excise Duty is being reduced on beer and cider by 12 cent (VAT inclusive) per pint, on spirits by 14 cent (VAT inclusive) per half glass, and on wine by 60 cent (VAT inclusive) per 75cl bottle. These reductions will take effect from midnight on 9 December 2009.

## **VEHICLE REGISTRATION TAX**

### **Car Scrappage Scheme**

A car scrappage scheme is being introduced with effect from 1 January 2010, to run until 31 December 2010. VRT relief of up to €1,500 will be provided where a car of 10 years or older is scrapped in accordance with certain criteria and a new car of emissions bands A or B (i.e. with CO2 emissions of 140g/km or less) is purchased.

### **Extension of VRT exemption for Electric Vehicles**

The existing VRT exemption for series production electric vehicles (which was due to expire on 31 December 2010) is being extended for two years until 31 December 2012.

### **Extension of VRT relief scheme for Plug-in Hybrid Electric Vehicles**

The existing VRT relief of up to €2,500 for series production plug-in hybrid electric vehicles (which was due to expire on 31 December 2010) is being extended for two years until 31 December 2012.

## **CARBON TAX**

A carbon tax at a rate of €15 per tonne is being introduced on fossil fuels. The tax will apply to petrol and auto-diesel with effect from midnight, 9 December 2009; and from 1 May 2010 to Kerosene, Marked Gas Oil, Liquid Petroleum Gas (LPG), Fuel Oil and Natural Gas. The application of the tax to coal and commercial peat is subject to a Commencement Order.

## **CAPITAL GAINS TAX**

No changes announced to the rate of capital gains tax

## **CAPITAL ACQUISITIONS TAX**

No changes announced to the rate of capital acquisitions tax

## **STAMP DUTY**

No changes announced to the rates of stamp duty

## **OTHER MEASURES**

### **Property Tax**

Work is to begin shortly on the development of a site valuation tax and the development of a register of land ownership and valuation to facilitate same.

### **Water Charges**

Preparations are underway to introduce a new water meter system in homes. When introduced, water charges will be based on water consumption above a free threshold. These charges, like the charge on second homes, will finance provision of local services by local authorities.

### **Credit Review System on Business Lending**

Small and Medium Enterprises (SMEs), farm enterprises and sole traders are being given a right of appeal where an application for credit is refused by a participating bank, after the bank's own internal process has been finalised. Where it is recommended that credit should be granted, the participating institution which refused credit must comply or provide a written explanation.

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