

BUDGET SUMMARY 2011

INCOME TAX

In his Budget Statement on 7th December 2010, the Minister for Finance announced a number of changes to the personal tax system.

Tax Credits

The following changes have been announced to the personal tax credits:-

Tax Credit	2011 €	2010 €
Single Person	1,650	1,830
Married person	3,300	3,660
PAYE Credit	1,650	1,830
Widowed person (without dependant children)	2,190	2,430
One Parent Family Credit	1,650	1,830
Incapacitated Child Credit Max	3,300	3,660
Blind Tax Credit		
Single person	1,650	1,830
One Spouse Blind	1,650	1,830
Both Spouses Blind	3,300	3,660
Widowed Parent		
Bereaved in 2010	3,600	-
2011	3,150	4,000
2010	2,700	3,500
2007	2,250	3,000
2006	1,800	2,500
2005	-	2,000
Dependent Relative	70	80
Home Carer	810	900

Age Credit and Exemption Limits:

Age credit and exemptions are being abolished over 4 years. The following apply from 1 January 2011:-

Exemption Limits	2011 €	2010 €
Single	18,000	20,000
Married	36,000	40,000

Age Tax Credit	2011 €	2010 €
Single/Widowed	245	325
Married	490	650

Abolition of Tax Reliefs

The following tax reliefs are to be abolished from 1 January 2011:-

- Tax relief on trade union subscriptions
- Tax exemption from BIK for employer provided Childcare
- Tax relief on subscriptions to professional bodies
- Approved share option schemes (from 24/11/2010)
- Patent Royalty exemptions (from 24/11/2010)
- Tax relief on new shares purchased by employees
- Accelerated capital allowances on farm pollution control works
- Rent Relief to be phased out over 8 years
- Ceiling of €40,000 on tax exempt income of artists



Tax Rates and Tax Bands.

The tax rates remain unchanged at 20% and 41%. The standard rate tax band (20%) has been reduced.

The table below sets out the tax rates and bands.

Personal Circumstances	2011 €	2010 €
Single/Widowed without dependant children	32,400 @ 20% Balance @ 41%	36,400 @ 20% Balance @ 41%
Single/Widowed qualifying for One Parent Family Tax Credit	36,800 @ 20% Balance @ 41%	40,400 @ 20% Balance @ 41%
Married Couple one spouse with Income	41,800 @ 20% Balance @ 41%	45,400 @ 20% Balance @ 41%

UNIVERSAL SOCIAL CHARGE

The Health Levy and Income Levy are to be abolished with effect from 1 January 2011 and replaced by a new Universal Social Charge (USC). The following rates and thresholds apply to all income with no special exemptions:

0%	< €4,004
2%	€0 to €10,036
4%	€10,037 to €16,016
7%	> €16,016

PRSI

Employee's Annual Earnings Ceiling

The employee's annual earnings ceiling for PRSI charges (above which they pay no social insurance contributions) is being abolished (currently €75,036).

Class S (self employed)

The rate of PRSI is increasing from 3% to 4%.

Ex-gratia termination payments

There will be a restriction of the tax free element of ex-gratia termination payments to €200,000, with effect from 1 January 2011. Above that threshold payments will be taxed at the marginal rate of tax.



PENSIONS

Earnings Limit

The annual earnings limit for determining maximum tax-relievable contributions for pension purposes is being reduced from €150,000 to €115,000. The annual earnings limit for 2010 will be reduced to €115,000 for pension contributions made in 2011 where the individual elects to claim the relief in 2010.

Tax Relief

Pension relief is allowable at the maximum tax rate of 34% in 2011. The rate of tax relief is to reduce to 20% by 2013 as follows: -

2012	34%
2013	27%
2014	20%

Approved Retirement Funds

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% in respect of asset values at 31 December 2010 and future years.

Retirement Lump Sums

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. The excess of this amount will be taxed at the standard rate (currently 20%) up to an amount equal to 25% of the new Standard Fund Threshold (ie up to €575,000).

Tax-free retirement lump sums taken on or after 7 December 2005 will count towards "using up" the new tax free amount.

Extension of flexible options on retirement

All members of Defined Contribution pension arrangements will have access to flexible options (eg access to Approved Retirement Funds (ARFs) etc.) on retirement in respect of the drawing down of the main benefits arising from those schemes.

VAT

Increase in Standard VAT Rate

The standard VAT rate will increase from 21% to 22% with effect from 1 January 2013 and will increase to 23% with effect from 1 January 2014. These increases will apply to all goods and services which are currently subject to VAT at 21%.

RCT

Reform of RCT (Relevant Contract Tax)

The current rate of RCT withholding tax of 35% will be replaced with a two rate system as follows: -
 20% rate for subcontractors registered for tax with an established compliance record;
 35% rate for subcontractors not registered for tax.

The monthly repayment system will be abolished and replaced with an offset system. There will also be changes to the reporting system for RCT Principals, details of which will be included in the Finance Bill.

FARMING TAXATION

The Farmer's Flat Rate Addition

The rate of the flat rate addition payable by VAT registered traders on purchases from non-VAT registered farmers remains unchanged at 5.2%.

Extension of Existing reliefs

The existing general 25% stock relief and the special incentive stock relief of 100% for certain young trained farmers, due to expire on 31 December 2010 have been extended for two more years to 31 December 2012, subject to EC clearance.

Accelerated Capital Allowances

The accelerated capital allowances on capital expenditure on farm buildings and structures for use in the control of pollution is to cease on 31 December 2010.



CORPORATION TAX

Business Start Up

The tax remission scheme for new start-up companies which commence trading in 2011 is being extended to 31 December 2011. These companies will be exempt from corporation tax and capital gains tax in the first three years of trading to the extent that their tax liability does not exceed the amount of employers prsi paid by the company in the accounting period, subject to a maximum limit of €5,000 per employee. This is subject to EU approval. Details will be contained in the Finance Bill.

Corporation Tax

There is no change to the Corporation Tax rate of 12.5%.

STAMP DUTY

Residential Property - New Rate Structure

The rate of stamp duty applying to transfers of residential property is to reduce to 1% on properties valued up to €1 million, with a rate of 2% applying to amounts over €1 million, in respect of instruments executed on or after 8 December 2010.



Abolition of reliefs and exemptions

Various reliefs and exemptions are to be abolished 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
- Transfers of a residential site to a child
- Exemption for residential property transfers valued under €127,000

CAPITAL GAINS TAX

CGT Rate and Reliefs

The rate of capital gains tax remains at 25%. There was no details of any changes to Capital Gains Tax reliefs.

CAPITAL ACQUISITIONS TAX

The current group tax free thresholds are being reduced by 20% in respect of gifts or inheritances taken from midnight on 7 December 2010.

TAX ON SAVINGS

Deposit Interest Retention Tax (DIRT)

The rate of retention tax that applies to deposit interest, together with the rates of exit tax that apply to life assurance policies and investment funds is being increased by 2 percentage points in each case to 27% and 30% respectively with effect from 1 January 2011.

EXCISES

Petrol & Auto-diesel increases

The mineral oil tax will be increased by 4 cent per litre on petrol and 2 cent per litre on auto-diesel (both inclusive of VAT) with effect from midnight on 7 December 2010.

Vehicle Registration Tax (VRT)

The car scrappage scheme is to be extended to 30 June 2011. VRT relief of up to €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 emissions bands A or B is purchased.

The current VRT rate of €50 for Commercial (category C) vehicles is being increased to €200 to take effect from 1 May 2011.



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