Budget Summary 2012

"If you're going through hell, keep going." - *Winston Churchill*

INCOME TAX & RELIEFS

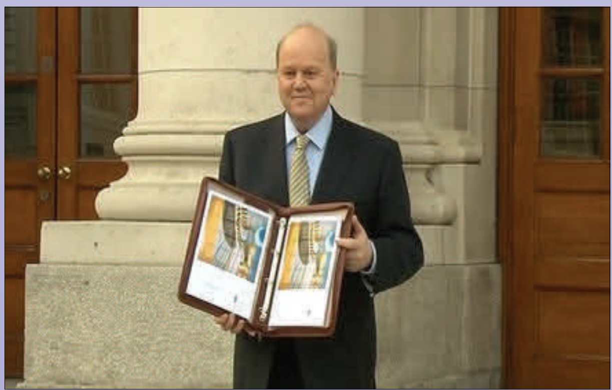
- No change in **income taxes** – no increases in rates, no narrowing of bands and no reductions in personal tax credits.
- From 1 January 2012 the exemption level for the **Universal Social Charge** will be raised from €4,004 to €10,036. Revenue will collect USC on a cumulative basis from 2012.
- Broadening the base for **PRSI** through removal of the remaining 50% employer PRSI relief on employee pensions. The base will be further broadened from 1 January 2013 to cover rental, investment and other forms of passive income.
- Introduction of a **€100 household charge**. Waiver proposed for those in mortgage interest supplement and those residing in certain categories of unfinished housing estates. Provisions will also be made to allow payment of the charge in instalments**.**
- Reversal of the proposal to reduce tax relief on **pension contributions** for 2012- retaining tax relief at the current marginal rate of tax.
- **Property relief surcharge** tax of 5% will be imposed on investors with an annual gross income of over €100,000. Reliefs in **Section 23-type** investments will not be terminated or otherwise restricted for investors with annual income under €100,000.
- Investors in **Accelerated Capital Allowance** schemes will no longer be able to use any capital allowance beyond the tax life of the scheme where that ends after 1 January 2015.
- Increase in the rate of **mortgage interest relief** to 30% for first time buyers who took out their first mortgage between 2004 and 2008. For those who wish to buy a home in 2012: First time buyers will get mortgage interest relief at a rate of 25% rather than the 15% proposed by the previous Government. Non-first time buyers will benefit from relief at 15% instead of the reduced rate of 10% proposed by the last Government.
- Abolishing the "citizenship" condition for payment of the **Domicile Levy** so as to ensure that tax exiles cannot avoid it by renouncing their citizenship
- Removing the existing tax exemption for the first 36 days of **Illness Benefit and Occupational Injury Benefit** so that this incentive to absenteeism is removed.

CAPITAL TAXES

- Increasing the current rate of **Capital Acquisitions Tax** from 25% to 30% after 6 December 2011.
- Increasing **Capital Gains Tax** from 25% to 30% after 6 December 2011.
- Reducing the Group A Tax-free threshold for Capital Acquisitions Tax from **€332,084 to €250,000**.
- **Stamp Duty** 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. Current arrangements for residential property will continue.
- Introduction of a **Capital Gains Tax incentive** for property purchased between 7 December 2011 and the 31 December 2013. If a property is bought during this period and held for at least seven years the gain attributable to that holding period will be relieved from Capital Gains Tax.
- Modifying **retirement relief** from Capital Gains Tax so it better incentivises the timely transfers of farms and businesses before the current owners reach the age of 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 years. The limit for transfers outside the family reduces to €500,000 for those over 66

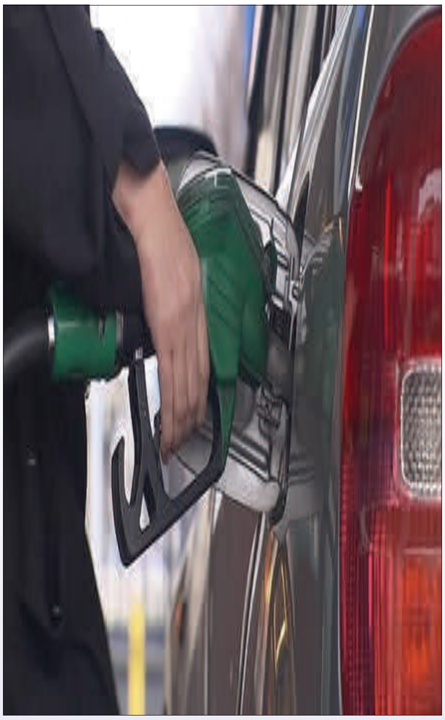
. The table below sets out the tax rates and bands.

Personal Circumstances	2011 €	2012 €
Single/Widowed without dependant children	32,400 @ 20% Balance @ 41%	32,400 @ 20% Balance @ 41%
Single/Widowed qualifying for One Parent Family Tax Credit	36,800 @ 20% Balance @ 41%	36,800 @ 20% Balance @ 41%
Married Couple one spouse with Income	41,800 @ 20% Balance @ 41%	41,800 @ 20% Balance @ 41%



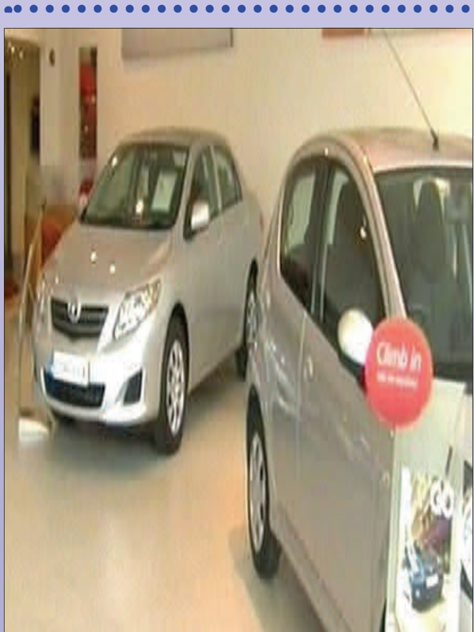
VAT & EXCISE

- **VAT** at the standard rate to be increased by 2%**.** Government commits to not raise the standard rate of VAT beyond 23% during its lifetime.
- Increase in **Carbon Tax** on fossil fuels from €15 per tonne to €20 per tonne. Applied to petrol and auto-diesel from midnight on 6 December 2011. This means 1.4c increase on Petrol and 1.6c increase on Diesel
- The increase on home heating fuels will not be applied until May 2012**.** There will be no increase of Carbon Tax to solid fuels
- **Excise duty** on pack of 20 cigarettes to increase by 25cent from midnight 6 December 2011. Pro-rated for other tobacco products. No change in excise duty on alcohol products
- Provisions for an increase in **Motor Tax** effective from 1 January 2012**.** Motor tax on **electric vehicles** will rise from €146 to €157. Motor tax rates based on engine size and emissions will also increase across the board, for example: Band A up €56 to €160; Band B up €69 to €225; and Band C up €28 to €330.
- Motor tax on engines with 1,001 to 1,100cc will go from €259 to €278; 1,601 to 1,700cc engines will go from €471 to €506



BUSINESS TAXES & FARMING

- No change to **Corporation Tax Rate** of 12.5%
- The corporate tax exemption for new start-up companies is being extended for the next three years and will be available for companies that commence trading in 2012, 2013 and 2014.
- Introduction of a **Foreign Earnings Deduction** to further support our export drive by aiding companies seeking to expand into emerging markets - Brazil, Russia, India, China and South Africa. Smaller companies will be able to avail of the planned foreign earnings deduction where they plan to expand their export markets into the BRICS countries.
- Improvements to the **R&D Tax Credit -** The first €100,000 of R&D expenditure of all companies will be allowed on a volume basis for the purpose of the R&D Tax Credit.
- Introduction of a **"Special Assignee Relief Programme".** This will allow multinational and indigenous companies to attract key people to Ireland so as to create more jobs and to facilitate the development and expansion of businesses in Ireland.
- Allowing farmers a double income tax deduction for increased costs arising from the change in carbon taxes.
- Farmers able to claim a VAT refund on **wind turbines** purchased from 1 January 2012.
- 50% **stock relief** for all registered farm partnerships and 100% stock relief for certain young trained farmers forming such partnerships.



MISCELLANEOUS

- Increasing the rate of notional distribution on the highest value **Approved Retirement Funds** and similar products to 6%.
- Increasing **DIRT** from 27% to 30%**.**
- Initiating consultation process with the motor industry and other parties to commence in early 2012 to review options for the improvement in **VRT** and motor Tax revenues in future years.
- The general government deficit target for 2012 is 8.6% of **GDP.** This year's figure of 10.1% will be less than the 10.6% targeted under the EU/IMF programme. The Department of Finance is forecasting an increase of 1.3% in the volume of GDP.
- The estimated loss in tax revenue arising from new tax and spending measures in Budget 2012 - known as negative buoyancy – is expected to be €775m. This has been factored into the budgetary arithmetic.
- Legislation planned on sale of low-cost alcohol.

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SOCIAL WELFARE

- The weekly rate of social welfare payments will be unchanged for 2012.
- Payments for new claimants of Disability Allowance cut to €100 a week for people aged 18-21, and to €144 for people aged 22-24.
- Child benefit will remain at €140 per month for each of the first two children, but the rates for the third and subsequent children will be standardised to €140 per child over the next two years. That means the rate for the third child will fall to €148 next month and €160 for subsequent children.
- Payments to carers will be maintained, while older people will receive their State pension at current levels as well as free travel, television licence, living alone allowance, over-80 allowance and islander allowance. The fuel allowance season will be reduced by six weeks from 32 weeks to 26 weeks.
- There will be reductions to *some* state retirement pensions for new claimants after Sept 2012. The changes in Budget 2012 state that "*A lower pension will be payable to new applicants for State Pension who have a yearly average of less than 48 PRSI contributions* " - but no figures are given. The changes come into effect from September 2012.
- In relation to the One-Parent Family Payment, the upper age limit of the youngest child for new claimants will be reduced to 12 years in 2012, with further reductions to an eventual seven years on a phased basis.
- The Back to School Clothing and Footwear Allowance will fall from €305 to €250 for children aged 12 years or more and from €200 to €150 for children aged over four.
- Where a Jobseeker's Benefit recipient is working for part of a week, the payment entitlement will be based on a five-day week rather than a six-day week. This means a cut of 20% for part-time workers receiving these benefits, with effect from July 2012. The cut arises from a reduction in the number of days on which the benefit is calculated. Currently, if a person works for three days in any week, he or she will receive half the payment on the basis that the "welfare week" lasts for six days. But from July, the "welfare week" will be reduced to five days, meaning that the individual concerned will lose one day's benefit.
- New participants on Community Employment Schemes will not be able to claim another social welfare payment at the same time.
- There are also changes to the assessment of means from self-employment for those claiming farm assist, with the level being raised from 70% to 85%.
- The minimum contribution by single tenants towards rent for the purposes of Rent Supplement scheme will increase from €6 to €30 a week, with the minimum contribution payable by couples rising to €35 a week. The minimum contribution for the purpose of the Mortgage Interest Supplement scheme will increase by €6 to €30 a week for a single person and for couples to €35.
- While a person engages with the Mortgage Arrears Resolution Process, payment of Mortgage Interest Supplement will be deferred by 12 months.
- Redundancy and insolvency changes will reduce employer rebate from 60% to 15%.