

BUDGET No.2 2009 SUMMARY

INCOME TAX

In his Supplementary Budget Statement on 7th April 2009, the Minister for Finance announced a number of changes to the personal tax system.

Mortgage Interest Relief

The current mortgage interest tax relief is being phased out with the intention of total abolishment. Mortgage interest relief will only be available now for the first seven years from the date on which a mortgage is taken out. This means that any taxpayer who has received mortgage interest relief for more than 7 tax periods will no longer be eligible for such relief from 1 May 2009.

The rate of mortgage interest relief for non-first-time buyers had been reduced from 20% to 15% from 1 January 2009. As mortgage interest relief is deducted at source on interest payments this measure will result in an increase in mortgage loan repayments from 1 May 2009 for many mortgage holders.

PRSI & HEALTH CONTRIBUTIONS

The following changes are effective from 1 May 2009:

INCOME LEVY

The Minister introduced a new income tax levy in his last Budget which became effective on 1 January 2009. In his current Budget speech he has proposed the doubling of the tax levy rates and a reduction of the bands at which these higher rates applies. The revised "temporary" income levy will apply at a rate of 2% to gross income from €15,028 up to €75,035 per annum. A rate of 4% will apply to income from €75,036 to €174,979 and a rate of 6% applying to amounts in excess of this amount. These measures take effect from 1 May 2009.

Health Levy

The Health Levy rates are to be doubled from 2% to 4% and from 2.5% to 5%. The entry point at which the lower rate of Health Levy become payable is €26,000. The higher rate threshold kicks in at €75,036.

Employee's Annual Earnings PRSI Ceiling

The employee's annual earnings ceiling for PRSI charges (above which they pay no social insurance contributions) is being increased from €52,000 to €75,036.

Employee's PRSI-Free Allowance

The PRSI-Free Allowance for employees in Classes A and H with weekly earnings of more than €352 remains at €127 per week and at €26 per week for all employees in Classes B, C and D.

Tax Credits

There has been no change announced to the personal tax credits.

The table below outlines the credits for 2009.

Tax Credit	2009 €	2008 €
Single Person	1,830	1,830
Married person	3,660	3,660
PAYE Credit	1,830	1,830
Widowed person (without dependant children)	2,430	2,430
One Parent Family Credit	1,830	1,830
Incapacitated Child Credit Max	3,660	3,660
Blind Tax Credit		
Single person	1,830	1,830
One Spouse Blind	1,860	1,830
Both Spouses Blind	3,660	3,660
Widowed Parent Bereaved in 2008	4,000	-
2007	3,500	4,000
2006	3,000	3,500
2005	2,500	3,000
2004	2,000	2,500
2003	-	2,000
Age Tax Credit		
Single/Widowed	325	325
Married	650	650
Dependent Relative	80	80
Home Carer	900	900

Tax Rates and Tax Bands.

The tax rates remain unchanged at 20% and 41%. The table below sets out the tax rates and bands.

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

EMPLOYER TAXES

There has been no change to the current rates of employers PRSI

PENSIONS

There has been no change announced to the current pension tax relief. However the Minister indicated that consideration is being given to bring about changes to the pension system following the report of the Commission on Taxation which is due in early July. The annual earnings limit for determining maximum tax-relievable contributions for pension purposes remains at €150,000. This is allowable at the maximum tax rate of 41%.

VAT

Increase in Standard VAT Rate

There has been no change to the current taxation rates. The standard VAT rate remains at 21.5%. The marginal rate remains at 13.5%

CORPORATION TAX

12.5% Rate

There has been no change to the 12.5% Corporation Tax rate.

Tax Relief for acquiring intellectual property

The Minister proposed the introduction of a scheme of tax relief for the acquisition of intangible assets, including Intellectual Property as a means of supporting the "Smart Economy". The details of the scheme will be worked on by the Department of Finance, in conjunction with the Revenue Commissioners, and will be published in the legislation giving effect to the Budget provisions.

Capital Allowance in Health Sector

The property-related accelerated capital allowance schemes in the Health Sector are to be abolished. This scheme covers private hospitals, registered nursing homes, convalescent homes and associated residential units as well as mental health centres. Schemes for palliative care units and childcare facilities will remain in place.

STAMP DUTY

Residential Property – Trade-in Scheme

In his Budget speech the Minister proposed to establish a Stamp Duty "trade-in" scheme. This will enable a person purchasing a new house or apartment to trade-in their previous property with the seller who will not be liable to Stamp Duty until they subsequently sell the traded-in property on at a later stage. Full details of this initiative will be contained in the forthcoming Finance Bill and it is envisaged that the scheme will apply from the date of publication of the Finance Bill to 31 December 2010.

CAPITAL GAINS TAX

Increase in CGT Rate

The rate of capital gains tax is being increased from 22% to 25% with effect from 7 April 2009.

CAPITAL ACQUISITIONS TAX

Increase in CAT Rate

The rate of capital gains tax is being increased from 22% to 25% with effect from 7 April 2009.

The CAT thresholds are also to be decreased by 20% with immediate effect.

EXCISES

Tobacco Excise

The Excise Duty on a packet of 20 cigarettes is being increased by 25 cent (including VAT) with a pro-rata increase on other tobacco products, with effect from midnight on 7 April 2009.

Auto-Diesel Excise

The Excise Duty on a litre of diesel is being increased by 5 cent (including VAT) with effect from midnight on 7 April 2009. There has been no change to excise rates on petrol or home heating products

Rented Residential Property – interest relief

The level of tax relief investors can claim on the interest for mortgages and loans on residential rental properties is to be reduced to 75% of the interest with immediate effect from 7 April 2009.

Residential Property Development Tax

The current special 20% rate applied to the trading profits from residential development land is to be abolished with immediate effect. The Minister also proposed the restriction on the treatment of trading losses arising on residential development lands. Any profits will be charged at the relevant marginal rates of income tax or at the 25% rate of corporation tax.

DIRT Tax

The DIRT rate on ordinary deposit accounts is to increase from 22% to 25% and from 25% to 28% on certain other savings products.

The existing 2% levy on non-life insurance premiums will increase to 3%

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