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BUDGET 2010



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2 Introduction

The Minister for Finance, Mr. Brian Lenihan T.D. delivered his 2010 Budget speech on 9 December.

There were very few tax changes announced in this budget which focused mainly on the much publicised €4 Billion in expenditure cuts.

The main tax measures announced for 2010 were as follows:

- No changes to headline tax rates or allowances
- Reduction in Vat rate from 21.5% to 21%
- Extension of High Earners Restrictions in respect of tax incentives
- Extension of Mortgage Interest Relief for certain homeowners
- Introduction of a €200K charge for Irish Domiciled non-residents with earnings in excess of €1M
- Introduction of a Carbon Tax
- Reduction in Excise on beer, wine and spirits
- Introduction of a car scrappage scheme

The Minister also signalled that he will be reforming the income tax system from 2011 onwards to a more progressive system. Also he will be consolidating the PRSI, Health Levy and Income Levy into one universal social contribution to be paid by all workers.

Following the Commission on Taxation Report he laid the ground for a new general property tax and water charges.

The following summary, which contains detail of the main changes, is not intended as an exhaustive guide to all tax changes to be implemented. Details of all the proposed taxation changes will only become apparent when the Finance Bill is published and subsequently enacted in February/March 2010. It is likely that further restriction on reliefs will be introduced in the Finance Bill.



3 Income Tax

3.1 Tax Rates, Bands & Credits:

There were no changes to Income tax rates, bands and credits. Likewise for PRSI, Health Contributions and the Income Levy.

3.2 Mortgage Interest Relief

Those whose entitlement to relief was due to expire in 2010 will now continue to qualify for mortgage interest relief at the applicable rate until 2017. The current rate of relief is 20% for first time buyers and 15% for non first-time buyers.

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.

The relief will be abolished totally in 2017.

3.3 Further Restrictions for High Earners Tax Incentives

The further restriction of various tax incentives for high earners to achieve a minimum effective income tax rate of 30% on top of PRSI and Levies was announced for 2010.

The entry point for the restrictions will now occur at reduced income levels of €125,000 and the full restriction will apply at €400,000.

3.4 Irish Domicile Levy (for Non-Residents)

The Finance Bill will see the introduction of a €200,000 per annum charge on all Irish nationals and domiciled individuals, whose worldwide income exceeds €1 million and whose Irish-located capital is greater than €5 million.



4 Corporation Tax

4.1 Extension of the Start-up Company Exemption

The scheme providing a three year exemption from tax on the income and gains of new start-up companies will be extended to include companies who commence trading in 2010.

4.2 Capital Allowances

The existing capital allowances scheme for energy efficient equipment purchased by companies will be extended from seven categories of eligible equipment to ten, to include refrigeration and cooling systems, electro-mechanical systems, and catering and hospitality equipment.

4.3 12.5% Corporation Tax Rate

The Minister confirmed that the 12.5% corporation tax rate will not change. It is here to stay.



5 Capital Taxes (CGT, CAT & Stamp Duty)

No changes were announced to the rates of Capital Taxes.

6 VAT & Excise

6.1 Reduction in VAT rate back to 21%

The standard rate of VAT will revert back to 21% (from 21.5%) with effect from 1 January 2010.

6.2 Reduction in Excise duty on Alcohol

The following reductions were announced to excise on alcohol products with effect from midnight 9 December:

- 12 cent on a pint of beer or cider
- 14 cent on a half measure of spirits
- 60 cent on a bottle of wine

There was no change to excise on Tobacco products.



7 Other

7.1 Pensions

The Minister confirmed that Pension lump sums less than €200,000 will continue to be tax exempt.

He is considering the tax treatment of lump sums in excess of €200,000 as well as the rate of tax relief on contributions, although no definitive changes were announced.

7.2 New Scrappage Scheme

A car scrappage scheme is being introduced for 2010. VRT relief of up to €1,500 will be allowed where a car of 10 years or older is scrapped. The scheme will only apply to new cars in emission bands A or B (i.e. with CO₂ emissions of 140g/km or less).

7.3 Carbon Tax

A new carbon tax for petrol and diesel is being introduced with effect from midnight 9 December. The tax will add 4.2 cent to a litre of petrol and 4.9 cent to a litre of diesel.

From 1 May 2010 a carbon tax will be applied to Home Heating Oil & Gas; and at a date to be announced, Coal and Peat.



8 Conclusion

As stated the next stage in the process is the publication of the Finance Bill, which will provide additional detail to the measures announced and will be subject to Dáil debate and amendment. This will be followed shortly thereafter by the introduction of the Finance Act, which brings into law the provisions of the Budget and the Finance Bill.

As always we at LHM Casey McGrath will be available to answer any query you might have in relation to the Budget or any other matter concerning your finances.

Whilst every effort has been made to ensure that the above information is correct and complete at time of going to print no responsibility for loss occasioned to any person acting or refraining from action as a result of any material contained or omitted from this document can be accepted by LHM Casey McGrath.

If you have any queries on the budget or any other matters please do not hesitate to contact any of our team.

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