



## Budget 2010 breakfast briefing

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- "the worst is over"
- "first signs of recovery"
- "priced ourselves out of the market"
- "borrowing more is not the answer"
- "we cannot tax our way out of this"

# Tax revenues – Source: Dept. of Finance

	2003	2007	2008	2009	2010
	€m	€m	€m	€m	€m
<b>Customs and excise</b>	4,708	6,099	5,794	4,784	4,725
<b>CGT and CAT</b>	1,559	3,528	2,030	645	580
<b>Stamp duties</b>	1,646	3,195	1,810	900	975
<b>Income tax</b>	9,199	13,605	13,200	11,810	11,979
<b>Corporation tax</b>	5,015	6,350	6,000	3,790	3,210
<b>VAT and levies</b>	9,616	14,548	13,526	10,641	10,461
<b>Total</b>	31,743	47,325	42,360	32,570	31,930

# Tax revenues – Source: Dept. of Finance

	2003	2007	2008	2009	2010
	%	€m	€m	€m	€m
<b>Customs and excise</b>	15%	13%	14%	15%	15%
<b>CGT and CAT</b>	5%	7%	5%	2%	2%
<b>Stamp duties</b>	5%	7%	4%	3%	3%
<b>Income tax</b>	29%	29%	31%	36%	38%
<b>Corporation tax</b>	16%	13%	14%	12%	10%
<b>VAT and levies</b>	30%	31%	32%	33%	33%

## What do the papers say

**"Public sector workers bear brunt of €4billion spending cuts"** Irish Times

**"Budget 2010: Brian's bitter pill"** Irish Independent

**"Backlash begins"** Irish Examiner

**"Internationally positive"** Financial Times

# Content summary

- income tax
- finding €4 billion
- corporation tax
- VAT and excise duties
- SME's
- R&D
- IP
- Commission on Taxation

# Income tax

## Where we are at – why no changes

- effective rate 46% to 55%
- PRSI rate:
  - employee – 3% €50k to €75k
  - self employed – 3% no cap
  - health levy – 2.5% to 5%
- income levy – 2%,4%,6%

# Income tax

## High earner changes

- effective rate 20% to 30%, PRSI and levies
- entry point to restriction now €125,000 v's €250,000
- full restriction €400,000 v's €500,000
- Finance Bill – further removal of relief's

# Income tax

## Taxing non-residents

- Irish resident – 183/280 day rule
- Irish ordinarily resident – Irish resident for three preceding years
- Irish domiciled – origin/choice/dependence

# Income tax

## Taxing non-residents

- all Irish nationals and domiciled individuals
- worldwide income > €1million and Irish-located capital > €5million
- €200,000 levy p.a regardless of where tax resident

# Income tax

## Mortgage interest relief

- extended to 31 December 2017 for those whose relief was to finish in 2010 or thereafter. New mortgages up to 1 July 2011 continue to get seven years relief
- non first time buyers – years 1-7 lower of 15% or €900 (married), €450 (single)

# Income tax – mortgage interest relief

FTB		Married/widowed	Single
Years 1-2	Lower of 25%, or	€5,000	€2,500
Years 3-5	Lower of 22.5%, or	€4,500	€2,250
Years 5-7	Lower of 20%, or	€4,000	€2,000

# Income tax

## **New employer PRSI incentive scheme**

- effective for 2010
- one year employer's PRSI exemption
- conditions:
  - new job created; and
  - new employee (unemployed > 6 months)

# Finding €4bn

- €1 billion in capital spend
- €3 billion in day-to-day
  - social welfare cuts – child benefit – job seekers allowance and supplementary welfare allowance
  - old age pension untouched
  - public sector pay

# Married – two public sector incomes and two children

	2009	2010
	€	€
Gross income	87,000	81,975
Income tax	10,395	8,572
PRSI	700	660
Health levy	3,220	3,042
Income levy	1,740	1,640
Pension levy	5,200	4,698
Pension contribution	1,305	1,230

## Married – two public sector incomes and two children

	2009	2010
	€	€
Net cash income	64,440	62,133
Deductions as a % of gross income	26%	24%
Child benefit	3,984	3,600
Net income	68,424	65,733
Total loss	-	2,691

# Corporation tax

- 12.5% rate.

**"The 12.5% corporation tax rate will not change. It is here to stay"**

- accelerated capital allowances for energy efficient equipment
  - 100% allowances in year of purchase
  - previous categories include IT and communications equipment, heating, ventilation, air conditioning

# Corporation tax

- three additional categories added
- start up companies – three year tax exemption
  - extended to businesses commencing to trade in 2010
  - for **new** trades
  - no CT if liability < €40,000 (taxable trading profits of €320,000)
  - marginal relief - €40k - €60k

# Corporation tax

- not for closely held professional services companies, trades taxable at 25%, or development land gains subject to CGT
- limit on relief for hauliers of €100k

# VAT

- VAT rate 21.5% to 21%
- VAT on intra-community supplies:
  - new place of supply rules effective 1 Jan 2010
  - VIES returns required for services monthly/quarterly depending on value
  - 8<sup>th</sup> directive refund claims

# Excise duty

## Excise reduction

- wine 60c
- beer 12c
- spirits 14c



# Carbon tax

- €15 per tonne
- transport fuel – 10 December 2009
- non-transport fuels – 1 May 2010
- solid fuels – subject to commencement order
- electricity is not subject to carbon tax

# Scrappage scheme

Scrappage scheme to reduce VRT by €1,500 on a A or B category car in respect of a 10 year old trade-in



# Future measures

- pension lump sums in excess of €200,000 to be taxable
- maximum tax relief of 33% on pension contributions
- property tax – site valuation tax
- water rates
- universal social contribution, payable by all, will replace employees PRSI, health levy and income levy

# SME

- CT – start up exemption extended
- VAT – rate reduction
- credit review system – focus on retail, car dealers, tourism and agriculture
- PRSI – one year exemption for employers

# Research & development tax credit

- successes to date – cash refunds received ranged from €30k to €150k per annum for certain clients
- tax credit of 25% on qualifying R&D spend
- throwback to preceding accounting period
- potential to claim relief against PAYE/PRSI liabilities – three instalments
- base year continues to be 2003
- incentive to provide a sustainable basis for long term growth in employment

# Research & development tax credit

- building Ireland's "smart economy"
- heavy investment in research & development

# Intellectual Property

- tax relief introduced in Supplementary Budget
- deduction for companies acquiring new IP – either write down over 15 year period or in accordance with accounting policy
- indicated this will continue

# Commission on Taxation – the window of opportunity

- retirement relief – CGT - €750k continues
- agricultural relief – CAT - 75% reduction, cap of €3million
- business property relief – CAT - 75% reduction, Cap of €3million
- service companies
- opportunities presented by lower asset values

Thank you

Questions