



LHM C A S E Y
M c G R A T H



CHARTERED
CERTIFIED
ACCOUNTANTS

REGISTERED
AUDITORS

TAXATION AND
FINANCIAL
CONSULTANTS

BUDGET APRIL 2009

in association with



**South Dublin
CHAMBER**
IN BUSINESS FOR BUSINESS

Telephone 353 - 1 - 495 9200 Facsimile 353 - 1 - 495 9299 Web www.lhmcasymcgrath.ie

6 Northbrook Road, Dublin 6

Contents

1. INTRODUCTION.....	3
2. INCOME TAX	4
2.1. INCREASE IN THE INCOME LEVY.....	4
2.2. CHANGES TO PRSI AND HEALTH CONTRIBUTIONS	4
2.3. WHAT DOES IT MEAN FOR YOUR WALLET?	5
2.4. OTHER CHANGES.....	6
3. CAPITAL GAINS TAX.....	7
3.1. CHANGE IN RATE OF TAX.....	7
4. CAPITAL ACQUISITIONS TAX.....	8
4.1. INCREASE IN TAX RATE	8
4.2. REDUCTION IN TAX FREE THRESHOLDS	8
5. CAPITAL ALLOWANCES.....	9
5.1. INTELLECTUAL PROPERTY	9
5.2. REMOVAL OF CAPITAL ALLOWANCES FOR PRIVATE HOSPITALS AND NURSING HOMES.....	9
6. STAMP DUTY	10
6.1. “TRADE-IN” SCHEME FOR NEW HOME BUYERS	10
6.2. INSURANCE PRODUCTS.....	10
7. EXCISE DUTIES.....	11
8. CORPORATION TAX.....	12
9. VAT.....	13
9.1. VAT RATES	13
9.2. NEW VAT MARGIN SCHEME.....	13
10. CONCLUSION.....	14

1. Introduction

The Minister for Finance, Mr. Brian Lenihan T.D. delivered his emergency 2009 Budget on 7 April.

As was anticipated, the Minister announced significant tax increases. The main income tax changes are the doubling in the rates of both the income levy and health contribution, as well as an increase in the employee PRSI contribution ceiling.

Mortgage interest relief for homeowners is discontinued for mortgages over 7 years. Also, for residential property investors mortgage interest relief is restricted to 75%.

Savings accounts and products will be subject to an additional 2% retention tax.

The 20% residential land dealing tax rate has been abolished.

Capital Allowances on nursing homes and private hospitals will be terminated.

The rate of Capital Gains Tax and Capital Acquisitions Tax (CAT) will increase from 22% to 25%. The tax free thresholds for CAT have been reduced by 20%.

The “old reliables” were hit, with an increase of 25 cent on a packet of cigarettes and 5 cent on a litre of diesel.

The following summary, which contains details 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 in early summer.

2. Income Tax

The headline income tax rates, income tax bands and tax credits were unchanged. However there was significant increases to the Income Levy, PRSI and the Health Levy. The following is an analysis of the changes and a worked example of the impact these changes will have on your take home salary.

2.1. Increase in the Income Levy

The rate of income levy is being doubled from the existing rates of 1%, 2% and 3% to 2%, 4% and 6% respectively. Also, the entry point for each of the 3 rates has been reduced.

The new thresholds and rates are as follows:

New Thresholds	New Rates
€0 - €75,036	2%
€75,037 - €174,980	4%
Over €174,981	6%
Less than €15,028	Exempt

Current Thresholds	Current Rates
€0 - €100,100	1%
€100,101 - €250,120	2%
Over €250,120	3%
Less than €18,304	Exempt

The levy applies to all income before capital allowances and pension contributions, with the exception of social welfare payments.

This measure takes effect from 1 May 2009

2.2. Changes to PRSI and Health Contributions

The PRSI employee contribution ceiling will increase from €2,000 to €75,036.

The health levy rates will double from 2% to 4% and from 2.5% to 5% respectively. Also, the entry point to the higher rate will be €75,036, reduced from €100,500.

These measures will take effect from 1 May 2009.

	Current	New
Employees;		
Upper limit on which PRSI is payable	€2,000	€75,036
Rates		
PRSI	4%	4%
Health Contribution	2%/2.5%	4%/5%
Self Employed		
Upper limit on which PRSI is payable	No Limit	No Limit
Rates		
PRSI	3%	3%
Health Contribution	2%/2.5%	4%/5%
Employers		
Lower rate	8.5%	8.5%
Salary up to which lower rate chargeable	€8,512	€8,512
Higher rate	10.75%	10.75%
Upper limit	No Limit	No Limit

2.3. What does it mean for your wallet?

A married couple with one income of €50,000, no children, taxed under PAYE and paying full rate PRSI will lose €1,500.

The same couple earning €100,000 will be €4,611 worse off.

In the case of a two income couple, with similar joint incomes the loss will be €1,325 and €3,469 respectively.

A single person earning €50,000 taxed under PAYE will be worse off by €1,500. On income of €100,000 the same person will lose €4,611.

A married self employed couple with 2 incomes and no children will be worse off by €1,325 for joint incomes of €50,000 and €3,000 for joint income of €100,000.

2.4. Other changes.

Mortgage Interest Relief – Owner Occupiers

From 1 May 2009, mortgage interest relief for principal private residences will only be available for the first 7 years of the mortgage.

Within the first 7 years relief will continue to apply at the existing rates.

Interest Relief on Residential Property - Investors

With immediate effect, interest relief for investors in residential property will be restricted to 75%. This measure will apply to both new and existing mortgages.

The restriction will not apply to commercial property.

Tax on Savings

The rate of DIRT will increase from 23% to 25%.

The rate of retention tax on life assurance policies and investment funds will increase from 26% to 28%

These measures will apply to payments made from midnight 7 April 2009.

Residential Development Land

The special 20% income tax and corporation tax rate which applied to profits from the sale of residential development land is being abolished with effect from the current 2009 tax year.

Also, restrictions will apply on losses incurred on residential development land before 7 April 2009. Further details will be announced in the upcoming Finance Bill.

3. Capital Gains Tax

3.1. Change in Rate of Tax

The rate of capital gains tax is being increased to 25% from 22% in respect of disposals made from midnight 7 April 2009.

4. Capital Acquisitions Tax

4.1. Increase in tax rate

The rate of capital acquisitions tax is being increased to 25% from 22% in respect of gifts or inheritances made from midnight 7 April 2009.

4.2. Reduction in tax free thresholds

The current tax free thresholds have been reduced by 20% with effect from midnight 7 April 2009 as follows:

Relationship	Class Threshold	
	Current €	New €
Parent to Child	542,544	434,000
Lineal Ancestors	54,254	43,400
None of the above	27,127	21,700

5. Capital Allowances

5.1. Intellectual Property

There will be a new tax relief on capital expenditure incurred in the acquisition of Intellectual Property.

5.2. Removal of Capital Allowances for Private Hospitals and Nursing homes.

The Capital Allowances Scheme for Private Hospitals and Nursing homes will be terminated. Transitional arrangements will be put in place for projects that are at an advanced stage of development.

The Finance Bill will contain further details on the above measures.

6. Stamp Duty

6.1. “Trade-in” Scheme for New Home Buyers

The Minister announced the establishment of a Stamp Duty “trade-in” scheme, under which no stamp duty is payable by a person who accepts a traded-in property in exchange or part exchange for a new house/apartment.

Stamp Duty will apply when the person subsequently sells on the ‘swapped’/traded-in house.

6.2. Insurance Products

The existing insurance levy of 2% on non-life products will increase by 1% to 3%.

A new 1% levy will apply to life assurance products.

The change will apply to premiums received by the insurer on or after 1 June 2009.

7. Excise Duties

The duty on tobacco products is being increased with a 25 cent increase on a packet of 20 cigarettes and pro rata increases for other tobacco products.

Excise on diesel will be increased by 5 cent per litre.

Excise on petrol and alcohol was untouched.

The increases are inclusive of VAT and are effective from midnight on 7 April 2009.

8. Corporation Tax

There were no major changes announced in the area of corporation tax. Crucially the 12.5% tax rate will remain.

9. VAT

9.1. VAT Rates

There are no changes to the VAT rates.

9.2. New VAT Margin Scheme

A Margin Scheme is being introduced whereby, with effect from 1 July 2009, dealers will be taxed on their margin in regard to second-hand cars they acquire and resell after that date. Second-hand cars acquired before 1 July 2009 and resold after that date will be taxed on their resale price. However, where such a second-hand car is resold before 31 December 2009 the payment of the VAT due on the resale price of the car may be spread in equal amounts over the following three VAT periods. It is not possible to write off the VAT input credit dealers have already received when they purchased the second-hand cars. The precise details will be contained in the Finance Bill.

10. Conclusion

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 not implemented by Financial Resolution on Budget night.

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 or South Dublin Chamber.

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

The Team:

Partners:

Con Casey B.Sc., Mgmt., FCCA (con.casey@lhmcaseymcgrath.ie)

Padraig Connor B.Sc., FCA, AITI (padraig.connor@lhmcaseymcgrath.ie)

John Hamilton FCCA (john.hamilton@lhmcaseymcgrath.ie)

Frank Hussey FCCA FITI (frank.hussey@lhmcaseymcgrath.ie)

Damien Kealy B.Sc., FCCA (damien.kealy@lhmcaseymcgrath.ie)

Fergal McGrath FCCA AITI (fergal.mcgrath@lhmcaseymcgrath.ie)

Brendan Murtagh FCCA (brendan.murtagh@lhmcaseymcgrath.ie)

6 Northbrook Road
Dublin 6
Ireland

Ph: +353 1 4959200 Fax: +353 1 4959299
www.lhmcaseymcgrath.ie