

TAX  
**BUDGET GUIDE  
2012**

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## Main Tax Credits & Allowances

	2012 €	2011 €
<b>Personal Tax Credits</b>		
Single/Widowed Person	1,650	1,650
Married Couple/Single Parent	3,300	3,300
One-Parent Family	1,650	1,650
Widowed person without dependent children	2,190	2,190
Widowed person in year of bereavement	3,300	3,300
<b>Widowed Parent Tax Credit</b>		
- Year 1	3,600	3,600
- Year 2	3,150	3,150
- Year 3	2,700	2,700
- Year 4	2,250	2,250
- Year 5	1,800	1,800
Employee (PAYE) <sup>(1)</sup>	1,650	1,650
Incapacitated Child	3,300	3,300
<i><sup>(1)</sup> Not available to proprietary directors and the self-employed</i>		
<b>Age Credit</b>		
Single/Widowed Person	245	245
Married	490	490
<b>Blind Person's Credit</b>		
Married (both spouses blind)	3,300	3,300
Single or married (one spouse blind)	1,650	1,650
<b>Rent Relief Credit (20% of rent subject to maximum) *</b>		
Under 55 - Single (max)	320	320
Under 55 - Married/Widow(er) (max)	640	640
Over 55 - Single (max)	640	640
Over 55 - Married/Widow(er) (max)	1,280	1,280
<i>* Relief is not available to an individual that is considered a 'new claimant', i.e. an individual who is not entitled to relief on the 7<sup>th</sup> of December 2010.</i>		
<b>Home Carer Tax Credit</b>		
Spouse caring for children, the aged or handicapped (maximum)	810	810
<b>Dependent Relative Credit</b>	70	70

<b>Mortgage Interest Relief (Main Residence Only)</b>	<b>2012</b>	<b>2011</b>
	<b>€</b>	<b>€</b>
<b><i>First time buyers (maximum allowable)</i></b>		
Single	10,000	10,000
Married / Widow(er)	20,000	20,000
<b><i>Non-first time buyers (maximum allowable)</i></b>		
Single	3,000	3,000
Married / Widow(er)	6,000	6,000

*Apply percentage below to the maximum allowable*

- Budget 2012 increases the rate of mortgage interest relief to 30% for first time buyers who purchased homes between 2004 and 2008,
- Non-first time buyers' relief remains at 15%,
- First time buyers in 2012 get relief at 25%

Mortgage interest relief will no longer be available on loans taken out on or after 1 January 2013 and will be fully abolished from 2018.

***Tax Allowances (allowed at marginal rates)***

<b>Carer Allowance</b> (Cost of employing carer for incapacitated individual allowed at marginal rate of tax)	50,000	50,000
<b>Film Investment</b> (max relief)	50,000	50,000
<b>Rent-a-Room Relief</b> (private residence)	10,000	10,000
<b>BES/EIIS Scheme</b> (max relief) *	150,000	150,000

\* EIIS approved by EU on 24 November 2011

## Income Tax Bands

	2012 €	2011 €
<b>Single &amp; Widowed Persons: No Dependent Children</b>		
20% on first	32,800	32,800
41% on balance		
<b>Single &amp; Widowed Persons: Dependent Children</b>		
20% on first	36,800	36,800
41% on balance		
<b>Married Couples: One Income</b>		
20% on first	41,800	41,800
41% on balance		
<b>Married Couples: Two Incomes*</b>		
20% on first	65,600	65,600
41% on balance		

*\* Excess over €41,800 (2012) and €41,800 (2011) non transferable between spouses*

## Tax on Savings

The rate of Deposit Interest Retention Tax increases to 30% (27% in 2011).

Exit tax applying to life insurance policies and investment funds increased to 33% (30% in 2011).

Both increases effective from 1 January 2012.

## Household Charge

The household charge of €100 will be introduced in 2012.

Waiver from the charge applies to:

- Those living in unfinished housing estates, and
- Those on mortgage interest supplement.

Provisions will be made to allow payment of the charge in instalments.

## Social Insurance & USC

PRSI	2012	2011
<b>Employer - Class A1</b>		
Employer Contribution (including training fund levy)	10.75% <sup>(1)</sup>	10.75% <sup>(1)</sup>
<b>Employee - Class A1</b>		
Employee Contribution	4% <sup>(2) (3)</sup>	4% <sup>(2) (3)</sup>
<b>Self Employed Contributors - Class S</b>		
Self Employed Contribution	4%	4%

<sup>(1)</sup> 8.5% where weekly earnings are not more than €356

<sup>(2)</sup> For those earning over €352 per week or equivalent

<sup>(3)</sup> First €127 of weekly earnings exempt

### Other

Current relief of 50% for employer PRSI relief on employee pension contributions is being eliminated from 1 January 2012.

A broadening of the PRSI base is to occur to cover rental, investment and other forms of income from 2013.

Universal Social Charge	2012	2011
<b>Individuals Under 70 years</b>		
Total Income below €10,036 per annum	0%	0%
Income up to €10,036 per annum	2%	2%
Income between €10,037 and €16,016 per annum	4%	4%
Income over €16,016 per annum*	7%	7%
<i>Self employed in excess of €100,000*</i>	10%	10%
<b>Individuals over 70 years</b>		
Total Income below €10,036 per annum	0%	0%
Income up to €10,036 per annum	2%	2%
Income between €10,037 and €16,016 per annum	4%	4%
Income over €16,016 per annum	4%	4%
<i>Self employed in excess of €100,000</i>	7%	7%

The Universal Social Charge replaces the Income Levy and the Health Levy with effect from 1 January 2011.

Budget 2012 increases the exemption limit to €10,036 (€4,004 in 2011).

*\*For those under the age of 70 years with a medical card excess over €16,016 @ 4% and over €100,000 @ 7% for the self employed.*

## **Benefit-In-Kind**

### **General**

In general, the taxable BIK is the higher of the following, less any amount made good to the employer by the employee.

1. The value the benefit provided to the employee;  
or
2. The cost to the employer of providing the benefit.

However, certain BIK's are subject to specific calculation rules.

### **Company Cars**

The charge to BIK on company cars is currently based on a fixed percentage of the original market value of the car provided to the employee, starting at 30% and reducing to 6% depending on the level of annual business mileage.

The BIK charge on company cars is based on the cars level of CO2 emissions.

### **Private Use of Employer Van**

The charge to BIK for the private use of an employer's van is 5% of the original market value of the van. However, this charge does not arise where the employee performs at least 80% of his/her duties of employment away from the employer's premises (subject to certain other conditions).

### **Preferential Loans**

A BIK arises where an employer provides a low or interest free loan to its employees. A BIK arises on the difference between the specified interest rate and the interest rate actually charged:

Specified rate for home loans	5.0%
Specified rate for other loans	12.5%

### **Small Benefits in Kind**

An employer can provide an employee with a small benefit to a value not exceeding €250 per annum tax free.

### **Cycle to Work Scheme**

Subject to certain conditions, an employer can provide cycling and related safety equipment to an employee, up to a maximum value of €1,000 per employee, tax free.

## Property Based Reliefs

Budget 2012 introduces a 5% surcharge for individuals who have income shelters either by way of Section 23 type relief or Accelerated Capital Allowance schemes.

- 5% surcharge applies to individuals with gross income over €100,000, and
- will apply to the amount of income sheltered.

The surcharge introduces an effective higher rate Universal Social Charge.

Owner-occupier relief for residential properties is unaffected.

Investors in accelerated capital allowance schemes will no longer be able to use capital allowances beyond the tax life of that scheme where the tax life expires after 1 January 2015.

Where the tax life of a scheme has ended before 1 January 2015 no carry forward of allowances into 2015 will be allowed.

## Domicile Levy

The annual domicile levy came into effect 1 January 2010.

The levy applies to individuals who are Irish domiciled and are Irish citizens and who have:

- Worldwide income exceeding €1,000,000,
- An Irish income tax liability of less than €200,000, and
- Irish property with a valuation in excess of €5,000,000 as at 31 December in the relevant year. In estimating the value of the asset, no deduction is allowed for debts or encumbrances.

The levy will apply irrespective of the individual's tax residence status and it will be payable on a self assessment basis.

In an attempt to broaden the base for the domicile levy Budget 2012 removes the "citizenship" condition.

## Corporation Tax Rates

Standard Rate on Trading Income	12.5%
Investment/Rental Income	25%

## Start-Up Companies

New start-up companies' scheme has been extended for the next three years to include companies which commence to trade in 2012, 2013 or 2014.

Start-up companies may avail of a relief from corporation tax for the first three years from commencing to trade. The value of the relief will be linked to the amount of employer's PRSI paid by a company in an accounting period subject to a maximum of €5,000 per employee.

Among the conditions to be satisfied in order to qualify for the exemption are:

- The company must be incorporated on or after 14 October 2008,
- The trade must be a new trade, and
- Professional services companies cannot qualify for exemption.

## Research and Development Tax Credit

A credit of up to 25% of a company's expenditure on qualifying research and development activity can be offset against a company's corporation tax liability.

The method of calculating the relief is on an incremental basis using a base year threshold amount to determine the level of incremental expenditure.

The base year is fixed at 2003.

Partial relief is also available to companies for the cost of sub-contracting research and development work to unconnected parties. This is restricted to 10% of total qualifying costs or 5% where sub-contracted to third level institutions.

Budget 2012 makes changes to the existing regime:

- First €100,000 of qualifying expenditure will benefit from the 25% credit,
- 25% credit applies to the incremental expenditure in excess of €100,000 as compared with the base year 2003,
- Relief for sub-contracted works increased to the greater of existing 10% / 5% limit, or €100,000,
- Option to reward key employees involved with the R&D work with a portion of the credit.

## Other Capital Allowances

	Motor Vehicles (1)	Plant & Machinery <sup>(1)</sup>	Industrial Buildings
	Year 1 - 8	Year 1 - 8	
Writing Down Allowance	12½ % per annum	12½ % per annum	4% per annum

<sup>(1)</sup> These allowances apply to expenditure incurred on or after 4 December 2002.

Accelerated capital allowances are available for certain energy efficient equipment acquired by a company. The allowance for such equipment is 100% of the cost of the asset.

In order for the equipment to qualify, it must be maintained on a list published by the Sustainable Energy Authority of Ireland.

The maximum allowable capital cost for new and second hand private cars purchased on or after 1 January 2007 is €24,000.

In respect of motor vehicles purchased or hired on or after 01 July 2008, the allowability of allowances and expenses are linked to the CO<sup>2</sup> emission levels of the vehicles. The vehicle emission categories are as follows.

Vehicle category	CO2 Emissions (CO2g/km)
A	0g/km up to and including 120g/km
B	More than 120g/km up to and including 140g/km
C	More than 140g/km up to and including 155g/km
D	More than 155g/km up to and including 170g/km
E	More than 170g/km up to and including 190g/km
F	More than 190g/km up to and including 225g/km
G	More than 225g/km

The qualifying cost for capital allowance purposes for each category is as follows. In each case, the specific amount equals the lower of the retail price of the car or €24,000.

- in the case of a vehicle in category A, B or C, an amount equal to the specified amount,
- in the case of a vehicle in category D or E, where the retail price of the vehicle at the time it was purchased/hired is:
  - (i) less than or equal to the specified amount, 50% of the retail price, and
  - (ii) greater than the specified amount, 50% of the specified amount, and
- in the case of a vehicle in category F or G, nil.

### (iii) Pensions

Contribution level deductible for tax purposes are as follows:

Age	%	%
	2012	2011
Up to 30	15	15
30 to 39	20	20
40 to 49	25	25
50 to 54	30	30
55 to 59	35	35
60 and over	40	40

30% also applies to individuals with limited earnings span e.g. athletes, entertainers.

There is cap of €115,000 for 2012 (€115,000 for 2011) on the amount of earnings on which tax relief may be obtained for contributions by individuals to Retirement Annuity Contracts and Personal Retirement Savings Account. This cap also applies for employee contributions to occupational pensions schemes.

The Standard Fund Threshold capped at €2.3 million which took effect from 7 December 2010 will continue to apply for 2012.

The overall life-time limit on the amount of tax-free retirement lump sums that an individual can draw down from a pension remains at €200,000. The excess of this amount will be liable to income tax at the standard rate up to €575,000 (i.e. 25% of the SFT). Any further excess will be taxed at the individual's marginal rate of income tax.

#### ***Approved Retirement Funds (ARFs)***

There will be an increase from 5% to 6% of the annual imputed distribution which applies to the value of assets in an Approved Retirement Fund at 31 December each year where the asset values of those ARFs are in excess of € 2 million.

This increase will apply in respect of asset values in affected ARFs at 31 December 2012 and in subsequent years.

A tax rate of 30% will apply to transfers of ARF assets at death, to a child of the owner of the ARF aged 21 or over. This is currently subject to tax at the standard rate in force at the time of the distribution.

### ***Personal Retirement Savings Accounts (PRSAs)***

There will be the application to vested PRSAs of the annual imputed distribution provisions which apply to ARFs where the assets are not transferred to an ARF and retained in the PRSA.

This will now also include an increase rate of 6% on deemed distributions for vested PRSAs with assets in excess of €2 million.

### ***Employer PRSI on Pension Contributions***

Current relief of 50% for employer PRSI relief on employee pension contributions is being eliminated from 1 January 2012.

## Capital Gains Tax

Annual exemption per individual €1,270

Rate of tax 30%  
(Effective for disposals made on or after 7 December 2011)

The payment date in respect of disposals in the period January to November is 15 December and the tax arising on disposals in the month of December is due by the following 31 January.

### Retirement Relief - Transfer of Business and Farming Assets

Budget 2012 provides the following:

#### Intra Family Transfers

- Full Retirement Relief from Capital Gains Tax for transfers intra-family is maintained for individuals aged 55 to 66.
- A €3million upper limit will apply where the individual transferring the asset is over 66 years of age.
- A transitional period, of two years, allowing the full unlimited relief will apply to individuals who are aged 66 or will attain that age before 31 December 2013.

#### Outside Family Transfers

- The upper limit for transfers outside the family of €750,000 is maintained for individuals aged 55 to 66.
- The upper limit for transfers outside the family is reduced from €750,000 to €500,000 for individuals aged over 66 years.
- A transitional period, of two years, allowing the upper limit of €750,000 will apply to individuals who are aged 66 or will attain that age before 31 December 2013.

### Capital Gains Tax Exemption

Budget 2012 introduces Capital Gains Tax exemption for property bought between 7 December 2011 and 31 December 2013

The property must be held for a period of at least seven years.

This measure applies from 7 December 2011.

## **Gift/Inheritance Tax (Capital Acquisitions Tax)**

### **Group Thresholds**

**(effective for gifts and inheritances taken on or after 8 December 2010)**

Parents to child/spouse	€332,084
Blood relative	€33,208
Others	€16,604

**(effective for gifts and inheritances taken on or after 7 December 2011)**

Parents to child/spouse	€250,000
Blood relative	€33,208
Others	€16,604

Rate of tax up to threshold amount	Nil
Rate of tax above the threshold amount	30%
Business/agricultural relief - % reduction in taxable value	90%

Gifts and inheritances received since 5 December 1991 within the same group threshold are aggregated to determine the tax payable on the current gift/inheritance.

No gift/inheritance tax is payable between spouses.

The annual gift exemption for gifts received from any particular individual is €3,000.

All gifts/inheritances with a valuation date in the 12 month period ending on 31 August will be included in the return to be filed by the following pay and file deadline of 31 October.

It is mandatory to file online where the valuation date is on or after 14 June 2010 unless certain criteria met.

The electronic return (IT38) available through ROS and can be used for all tax years from 2001.

## Value Added Tax

### VAT Registration Thresholds:

	€
Supply of taxable goods in Ireland	
(90% of turnover must be from the supply of goods for this threshold to apply)	75,000
Provision of taxable services in Ireland	37,500

#### **Note 1**

These thresholds do not apply to traders established outside Ireland who must register irrespective of turnover.

#### **Note 2**

A registration threshold of €41,000 applies to certain persons acquiring goods in Ireland from other EU member states (other than new means of transport or goods subject to a duty of excise).

#### **Note 3**

A registration threshold of €nil applies to certain persons acquiring certain services in Ireland from abroad.

#### **Note 4**

A registration threshold of €35,000 applies in relation to "Distance Selling" - i.e. persons supplying certain goods to non-taxable persons in Ireland from other EU member states.

## Value Added Tax

### VAT Rates:

- Standard rate applying to all supplies not chargeable at other rates 21%\*  
Includes - Cars, Petrol / Diesel, Telecommunications, soft drinks and alcohol, computers and software, consultancy services, opted leases.  
**\*Standard rate increases from 21% to 23% as of 1 January 2012.**
- Reduced rate applying to certain goods and services. 13.5%  
Includes - Heating fuel, electricity, restaurant services, newspapers, hotel and B&B lettings, property and Child Car Seats.  
*District heating will now be subject to VAT at 13.5% reduced from 21%.*
- 2<sup>nd</sup> Reduced rate applying to certain goods and services. 9%  
Includes - Tourist industry goods and services such as restaurant and catering services, hotel and holiday accommodation, theatres, printed matter such as brochures, maps, leaflets, catalogues and newspapers, sporting facilities, cinema admission and theatres.  
*Budget 2012 has extended this reduced rate to include admissions to Open Farms. From 1 January 2014 the 2<sup>nd</sup> reduced rate will revert to 13.5%*
- Flat Rate Addition 5.2%

- Livestock, live greyhounds, hire of horses etc. 4.8%
- Zero rate applying to certain goods and services. 0%  
Includes - Exports, certain food and drink, oral human medicine, books, children's clothing and footwear.
- VAT Exempt Services  
Includes certain financial services, insurance, educational, training, medical, optical and dental services, passenger transport services and non-opted leases.

## Relevant Contracts Tax

The current RCT system will continue to apply. This is a two-rate withholding system on a revenue neutral basis based on a:

- 20% rate for subcontractors registered for tax with an established compliance record;
- 35% rate for subcontractors not registered for tax;

## Stamp Duty

	<b>Rate</b>
Stocks & Shares	1%
Land/Commercial Buildings/Goodwill	2%*

The above rates apply to the full value of the property.

***\*Reduced from 6% in Budget 2012 with effective from 7 December 2011***

### Residential Property

<i>Consideration</i>	<i>First Time Buyers New &amp; Second Hand Houses</i>	<i>Other Buyers &amp; Investors- New house Less than 125sq m</i>	<i>Other Buyers &amp; Investors- Second Hand Houses or New Houses over 125sq m</i>
Up to €1,000,000	1%	1%	1%
Amounts over €1,000,000	2%	2%	2%

## **Farming Taxation**

### **Stock Relief for Registered Farm Partnerships**

50% Stock Relief will apply for registered farm partnerships until 31 December 2015, subject to EU commission approval. This relief will be extended to 100% for certain young trained farmers.

### **Transfer of Farm Assets**

Please refer to Retirement Relief provisions above in CGT section.

### **VAT Refund Order for Flat Rate Farmers**

Budget 2012 introduces an extension of the existing VAT refund order for flat-rate farmers to include a refund on the purchase of wind turbines purchased from 1 January 2012.

The current order had already provided for a VAT refund for un-registered farmers on the construction of fencing, farm buildings, drainage and reclamation of farm land

## Dates to Remember

### Income Tax

Preliminary Income Tax Payment for 2012	31 October 2012
Balance of tax due for 2011	31 October 2012
File Personal Tax Return for 2011	31 October 2012
2011 filing and payment deadline extended once all payments and the filing of the return are completed via ROS subject to Revenue concession.	

### Capital Gains Tax - Payment Dates

Disposals made between 1 December 2011 & 31 December 2011	31 January 2012
Disposals made between 1 January 2012 & 30 November 2012	15 December 2012
Disposals made between 1 December 2012 & 31 December 2012	31 January 2013

### Returns

Individuals	-	2011 Disposals	31 October 2012
		2012 Disposals	31 October 2013

### Corporation Tax

#### Company Tax Payments

##### Small Companies

1. Choice of 90% of current year liability or 100% of previous year's liability due one month before year end (but no later than the 21<sup>st</sup> day of that month);
2. Balance of tax to be paid on date the Corporation Tax Return is due.

A small company is a company with a corporation tax liability of less than €200,000 in the preceding year.

##### Other Companies

1. Choice of 45% of current year liability or 50% of previous year liability due in sixth month of accounting period (but no later than the 21<sup>st</sup> day of that month);
2. Payment bringing total preliminary tax up to a minimum of 90% of current year liability due one month before year end (but no later than the 21<sup>st</sup> day of that month);
3. Balance of tax to be paid on date the Corporation Tax Return is due.

#### Company Tax Returns

Within nine months of the end of the accounting period but no later than the 21<sup>st</sup> day of that month.

Where tax payments and filings of returns are completed through ROS deadlines are extended to the 23<sup>rd</sup> of each month.

## Have you thought about?

- Investing in qualifying films
- Incorporating your sole trade or profession
- Investing in Business Expansion Scheme/EIS
- Maximising your pension
- Tax efficient charitable donations
- Provision of PRSA's for employees
- Employee Incentivisation Schemes
- Extracting wealth from the business
- Passing on the business to the next generation
- Remember certain tax reliefs are effectively restricted so that a minimum effective tax rate of 30% plus PRSI & levies is charged

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