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CHARTERED ACCOUNTANTS  
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## ROI BUDGET 2011

# Irish Budget 2011

## Main Headlines

- In terms of taxation measures Budget 2011 contains very significant and radical changes which seem somewhat tempered when compared to the events that have occurred over recent months.
- The language of the Summary of 2011 Budget Measures Policy Changes says it all. A simple word count shows that there are lots of reductions, abolitions, restrictions, removals, truncations, reforms and even guillotines. There are very few extensions and increases.
- Significant decrease in tax credits and tax bands increasing income tax on a € for € basis and increasing the number of earners in the tax net.
- No changes to VAT and CGT.
- Abolition of numerous income tax reliefs.
- PRSI, health levy and income levy changes and reform. Introduction of new Universal Social Charge (USC). Removal of PRSI threshold of €75,036.
- Residential Stamp Duty changes and simplification.
- Tax relief at the standard rate on expenditure up to €10,000 on energy efficient improvements in the home.

## Income Tax

### Personal Income Tax Rates

	2011		2010	
	At 20% First €	At 41% Balance €	At 20% First €	At 41% Balance €
Single Person	32,800	Balance	36,400	Balance
Married Couple (one income)	41,800	Balance	45,400	Balance
Married Couple (two incomes)*	65,600	Balance	72,800	Balance
One parent/widowed parent	36,800	Balance	40,400	Balance

\* = Subject to transferability limit of €41,800

## Personal Tax Credits

	2011 €	2010 €
Single Person	1,650	1,830
Married Couple	3,300	3,660
One parent family credit	1,650	1,830
Employee Credit	1,650	1,830
Home carer credit	810	900
Rent relief – Single /<55	400	400

## Exemption Limits

	2011 €	2010 €
> 64 - Single	18,000	20,000
> 64 - Married	36,000	40,000

- RCT
- Abolition of monthly repayment system.
  - Introduction of new 20% RCT withholding tax for registered subcontractors and 35% withholding tax for unregistered subcontractors.

Public Service Pension deduction will be subject to employees PRSI and USC.

Business Expansion Scheme to be reformed and changed to an Employment and Investment Incentive.

Tax relief at the standard rate on expenditure of up to €10,000 on energy efficient improvements in the home.

## Abolition of reliefs from income tax

- Rent relief on a 8 year phased basis.
- Patent Royalty exemption.
- Deduction on loans used to invest in certain companies.
- Trade union subscriptions.

## Phased abolition of property tax shelters

- Deduction only available against rental income from the particular S.23 property itself.
- After 10 year period unused losses are lost.
- If sold within 10 year period then new owner does not get relief.
- No sideways set off of excess capital allowances on property for passive investors.
- Termination of all unclaimed and unused S.23 deductions and property capital allowances from 2014.

Tax free ex-gratia payment exemption limited to €200,000.

Artists exemption ceiling up to €40,000.

DIRT has been increased by 2% to 27%.

## PRSI / Health Levy / Income Levy

Employee PRSI Contributions	From 01/01/2011		From 01/01/2010	
	PRSI	H Levy *	PRSI	H Levy
< €75,037	4%	n/a	4%	4%
> €75,037	4%	n/a	0%	5%

\* = Abolished from 01/01/11. Replaced by Universal Social Charge (USC)

Employees earning €352 or less p/w are exempt from PRSI.

First €127 or weekly earnings are disregarded

Employees earning €500 or less p/w are exempt from Health levy

Self Employed PRSI Contributions	2011		2010	
	PRSI	H Levy *	PRSI	H Levy
< €75,037	4%	n/a	3%	4%
> €75,037	4%	n/a	3%	5%

\* = Abolished from 01/01/11. Replaced by Universal Social Charge (USC)

- Minimum PRSI contribution of €253

- Annual income below €26,000 then exempt from Health levy

Abolition of Income Levy from 01/01/11. Replaced by Universal Social Charge (USC).

Universal Social Charge (USC)	%
€0 - €10,036	2%
€10,037 - €16,016	4%
> €16,016	7%
Full exemption if income < €4,004	

## Excises

Increase in tax on petrol and diesel by 4 cent and 2 cent per litre respectively.

Air travel tax reduced to €3.

All bookmakers taking bets from Ireland will pay 1% betting duty.

## Pensions

Abolition of pension deduction against PRSI and new USC.

Relevant earnings available when calculating the maximum pension deduction is limited to €115,000.

The maximum allowable pension fund is to be set at €2.3m.

Tax free lump sum capped at €200,000.

## Corporation Tax

3 year tax exemption for start up companies will continue to apply for companies that start up in 2011. The value of the exemption will be linked to the amount of employers PRSI paid subject to a maximum of €5,000 per employee.

Extension of accelerated capital allowances for certain energy efficient equipment to 2014.

## Stamp Duty

### Simplification of rates on residential property

Stamp Duty - Residential	From 08/12/2010	From 05/11/2007
First €125,000	1%	0%
Next €875,000	1%	7%
Balance	2%	9%

Consideration < €127,000 is exempt on pre 08/12/10 sales

Abolition of various reliefs and exemptions.

## Capital Acquisitions Tax

Decrease in the tax free thresholds by 20%.

CAT Threshold & Rate	From 07/12/2010	From 01/01/2010	From 08/04/2009	20/11/08 to 07/04/2009
CAT Rate	25%	25%	25%	22%
Group A	€ 331,839	€ 414,799	€ 434,000	€ 542,544
Group B	€ 33,185	€ 41,481	€ 43,400	€ 54,254
Group C	€ 16,592	€ 20,740	€ 21,700	€ 27,127

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