

Irish Budget 2009

The Irish Minister, Brian Lenihan, delivered his second Budget Statement for 2009 on 7 April 2009. We have set out below a summary of the main changes which have been announced.

Personal Tax

i) Income Tax Levy

Income Tax levy came into effect on 1 January 2009. It is payable on gross income before any deductions, such as capital allowances, losses or pension contributions. The Income Tax Levy has increased to the following rates:

Annual Earnings	New Rates	Previous Rates
Less than €15,028	Exempt	Exempt
€15,028 to €18,304	2%	Exempt
First €75,036	2%	1%
€75,037 to €100,100	4%	1%
€100,101 to €174,980	4%	2%
€174,981 to €250,120	6%	2%
Over €250,120	6%	3%

These new rates come into effect on 1 May 2009.

ii) Income Tax

There have been no changes in the rates for Income Tax, which is charged on income after allowing for deductions and allowances. The rates currently are:

	At 20%	At 41%
Single person	€36,400	Balance
Married couple- one income	€45,400	Balance
Married couple- two incomes	€72,800	Balance

	At 20%	At 41%
One parent/widowed parent	€40,400	Balance

iii) Health Levy

The Health Levy is paid by all tax payers to fund health services. It has increased to the following rates:

Annual Earnings	New Rates	Previous Rates
Less than €26,000	Exempt	Exempt
First €75,036	4%	2%
€75,037- €100,100	5%	2%
Over €100,100	5%	2.50%

This change comes into effect on 1 May 2009.

iv) Pay Related Social Insurance (PRSI)

Employees PRSI ceiling has increased from €52,000 to €75,036; however the applicable rate remains at 4%. There has been no corresponding change to the employers rate of PRSI.

Comparison

I have set out below a comparison between the effective rates of tax before the changes in the Budget and after the changes in the Budget. The rates take into account Income Tax, Income Tax Levy, Health Levy and PRSI.

Gross earnings	Single - previously	Single - after	Married- previously	Married - after
€80,000	35%	39%	30%	34%
€170,000	40%	42%	38%	40%
€250,000	42%	45%	40%	44%
€350,000	43%	49%	42%	47%

Other Personal Tax

v) Mortgage Interest Relief

The mortgage interest relief for principal private residences will only be available for tax payers who are classed as first time buyers from 1 May 2009, therefore capping the mortgage interest claims to the first seven tax years of the mortgage.

vi) Rented Residential Accommodation

The minister has restricted the amount of mortgage interest in respect of rented residential properties that can be claimed against rental income. The deduction is restricted to 75% of the mortgage interest paid and will apply to both new and existing mortgages. This restriction comes into force immediately. Commercial rented property is not subject to this restriction.

vii) Deposit Interest Retention Tax

The rate of retention tax has increased to 25% on interest arising on ordinary deposit accounts and to 28% on returns arising life assurance policies and investment funds. These rates are an increase of 2% and will apply to payments made on or after 8 April 2009.

Business Tax

i) Rate of Corporation Tax

The standard rate of Corporation Tax is still 12.5% and the Minister has emphasized it will not change.

ii) Tax Relief for Acquisition of Intangible Assets

The Minister has stated an overhaul of Ireland's Intellectual Property Regime. No details have been provided as yet but it is understood that the new legislation will offer accelerated tax relief on acquired intangible assets. It is thought that this relief will position Ireland more favorably as compared to other jurisdictions.

iii) Residential Property Dealing

The special tax treatment of profits and losses from dealings in Residential Development Land has been abolished. The tax on the land dealings will now be charged either at the marginal income tax rate for the individuals and will apply in respect of the 2009 year of assessment. The rate for Corporation Tax on these activities is now 25% and will apply to accounting periods ending on or after 1 January 2009.

Capital Taxes

i) Capital Gains Tax

The rate for Capital Gains Tax has increased from 22% to 25%. This rate will be effective for disposals made from 7 April 2009 onwards.

ii) Capital Acquisitions Tax

The rate of Capital Acquisitions Tax has increased from 22% to 25% on gifts and

inheritances. This increase comes into effect from 7 April 2009. The Minister has reduced the tax thresholds by 20%, in light of declining value of assets. The new thresholds are as follows:

Group	New Threshold	Threshold Previous
Group A- between Parent and Child	€434,000	€542,544
Group B – between Related Persons	€43,400	€54,254
Group C- between Non Related Persons	€21,700	€27,127

VAT

There have been no changes in the VAT Rates of 13.5% and 21.5%.

Should you have any queries on the above changes or require further explanations then please do not hesitate to contact me or your regular contact at Wilton.

Yours sincerely



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