BUDGET SUMMARY 2012

Budget Highlights

- Income Tax – No change
- VAT top rate raised by 2% to 23%
- USC exemption level rises to €10,036
- DIRT rises from 27% to 30%
- Motor tax to rise from January 1st
- Mortgage Interest relief for 04-08 buyers up to 30%
- Duty on 20pk cigarettes rises 25c
- Alcohol remains untouched
- Carbon tax rises to €20/tonne
- CAT and CGT rise 5%
- VRT export scheme to be implemented
- Legacy property reliefs reduced
- Duty on commercial property transfers at 2%
- Lower stamp duty to apply to family farm
- Changes to R&D credits
- Sick pay tax exemptions changed

INCOME TAX

The following are details of the Budget Statement of 6 December 2011, as made by the Minister for Finance.

Tax Credits
There are no changes to tax credits.

Tax Credit	2011 €	2012 €
Single Person	1,650	1,650
Married Person	3,300	3,300
PAYE Credit	1,650	1,650
Widowed Person (without dependant children)	2,190	2,190
One Parent Family Credit	1,650	1,650
Incapacitated Child Credit Max	3,300	3,300
Blind Tax Credit		
Single Person	1,650	1,650
One Spouse Blind	1,650	1,650
Both Spouses Blind	3,300	3,300
Widowed Parent		
Bereaved in 2011	-	3,600
2010	3,600	3,150
2009	3,150	2,700
2008	2,700	2,250
2007	2,250	1,800
2006	1,800	-
Age Tax Credit		
Single/Widowed	245	245
Married	490	490
Dependent Relative	70	70
Home Carer	810	810

Marginal Rate Relief

Relief (Allowed at the taxpayer's top rate of tax)	2011 € Max	2012 € Max
Employing a Carer	50,000	50,000

Standard Rated Reliefs
(Allowed at 20% rate band)

Service Charges
The measures announced in Budget 2011 are unchanged. The relief is being abolished for tax year 2012 and subsequent years. In 2011, a maximum of €400 tax relief was granted (at the 20% rate) for service charges paid in the year 2010.

Relief at 20% tax rate	Allowed in the year	For service charges paid in the year
Nil	2012	2011
€400	2011	2010

Rent Tax Relief
The measures announced in Budget 2011 are unchanged: Relief for rent credit will be withdrawn on a phased basis over 7 years by reducing the amount of rent that can be relieved at the standard rate of income tax as indicated in the following table.

Tax Year	Single Under 55	Single Over 55	Widowed/ Married under 55	Widowed/ Married over 55
2010	2,000	4,000	4,000	8,000
2011	1,600	3,200	3,200	6,400
2012	1,200	2,400	2,400	4,800
2013	1,000	2,000	2,000	3,600
2014	800	1,600	1,600	3,200
2015	600	1,200	1,200	2,400
2016	400	800	800	1,600
2017	200	400	400	800
2018	0	0	0	0

Claimants who were not renting at 7 December 2010 and who subsequently enter into a rental agreement will not be able to claim relief.

Tax Rates and Tax Bands.
The tax rates and bands remain unchanged at 20% (standard rate) and 41% (higher rate).

The table below sets out the tax rates and bands.

Personal Circumstances	2011 €	2012 €
Single/Widowed without dependant children	32,800 @ 20% Balance @ 41%	32,800 @ 20% Balance @ 41%
Single/Widowed qualifying for One Parent Family Tax Credit	36,800 @ 20% Balance @ 41%	36,800 @ 20% Balance @ 41%
Married Couple one spouse with Income	41,800 @ 20% Balance @ 41%	41,800 @ 20% Balance @ 41%
Married Couple both spouses with Income	41,800 @ 20% with increase of 23,800 max. Balance @ 41%	41,800 @ 20% with increase of 23,800 max. Balance @ 41%

Exemption Limits
The exemption limits for persons aged 65 years and over have been changed as follows:

Personal Circumstances	2011 €	2012 €
Single/Widowed 65 years of age & over	18,000	18,000
Married Couple 65 years of age & over	36,000	36,000

Marginal Relief may apply, subject to an income limit of twice the relevant exemption limit.

The above exemption limits are increased by €575 for each of the first two dependent children and by €830 for the third and subsequent children.

Tax Relief at Source – Mortgage Interest Relief

Interest paid on qualifying home loans taken out on or after 1 January 2004 and on or before 31 December 2012 will (subject to the exception below) qualify for tax relief up to the end of 2017 at the following general rates and thresholds -

First time buyers - The tax relief on interest paid on qualifying home loans is 25% for years 1 and 2; 22.5% for years 3,4 & 5 and 20% for years 6 and 7. The upper thresholds in respect of the amount of interest paid qualifying for tax relief are €20,000 for individuals who are married, in a civil partnership or widowed and €10,000 for individuals who are unmarried and not in a civil partnership. After years 7, the rates and thresholds for relief are as for non-first time buyers.

Non-first time buyers - The tax relief on interest paid on qualifying home loans is 15%. The upper thresholds in respect of the amount of interest paid qualifying for tax relief are €6,000 for individuals who are married, in a civil partnership or widowed and €3,000 for individuals who are unmarried and not in a civil partnership.

Exception
However, notwithstanding the rates of tax relief mentioned above, for individuals who purchased their first principal private residence on or after 1 January 2004 and on or before 31 December 2008, the rate of tax relief on the interest paid on the loan to purchase that property will, for the tax years 2012 to 2017, be 30%.

Taxation of Illness Benefit
The tax exemption currently applicable to Illness abolished with effect from 1 January 2012.

DIRT

Deposit Interest Retention Tax and Exit Taxes on Life Assurance Policies and Investment Funds
The rate of retention tax that applies to deposit interest, together with the rates of exit tax that apply to life assurance policies and investment funds, are being increased by 3 percentage points in each case and will now be 30% for payments made annually or more frequently and 33% for payments made less frequently than annually. The increased rates will apply to payments, including deemed payments, made on or after 1 January 2012.

UNIVERSAL SOCIAL CHARGE (USC)

The Universal Social Charge (USC), which came into effect on 1 January 2011, will be deducted on a cumulative basis with effect from 1 January 2012.

The rates and thresholds of the Universal Social Charge are as follows:

Individual aged under 70 years

USC Thresholds			
2011		2012	
Rate		Rate	
Income up to €10,036.00	2%	Income up to €10,036.00	2%
Income from €10,036.01 to €16,016.00	4%	Income from €10,036.01 to €16,016.00	4%
Income above €16,016.00	7%	Income above €16,016.00	7%

Individual aged 70 years or over, or individuals who hold a full medical card (regardless of age)

USC Thresholds			
2011		2012	
Rate		Rate	
Income up to €10,036.00	2%	Income up to €10,036.00	2%
Income above €10,036.00	4%	Income above €10,036.00	4%

Exempt Categories:

2011	2012
Where an individual's total income for a year does not exceed €4,004	Where an individual's total income for a year does not exceed €10,035
All Dept of Social Protection payments	All Dept of Social Protection payments
Income already subjected to DIRT	Income already subjected to DIRT

3% Surcharge (self-employment)
The surcharge of 3% on individuals who have income from self-employment that exceeds €100,000 in a year, regardless of age, remains unchanged.

PENSIONS

Approved Retirement Funds
The annual imputed distribution which applies to the value of assets in an Approved Retirement Fund (ARF) at 31 December each year is being increased from 5% to 6% in respect of ARFs with asset values in excess of €2 million (or, where an individual owns more than one ARF, where the aggregate value of the assets in those ARFs exceeds €2 million). The increase will apply in respect of asset values in affected ARFs at 31 December 2012 and future years.

The transfer of ARF assets on the death of an ARF owner to a child of the owner aged over 21 is subject to a final liability tax equal to the standard rate of income tax in force at the time of the making of such a distribution (currently 20%). It is proposed to apply a higher final liability tax rate of 30% to such transfers and the details of this will be published in the Finance Bill.

Personal Retirement Savings Accounts (PRSAs)
"Vested" PRSAs are PRSAs from which retirement benefits have commenced to be taken, usually in the form of the "tax-free" retirement lump sum. The annual imputed distribution provisions which apply to ARFs will also apply on the same basis to "vested" PRSAs, where the assets are retained in the PRSA rather than being transferred to an ARF. This will include an increased deemed distribution percentage of 6% for vested PRSAs with assets in excess of €2 million. Where an individual holds more than one PRSA the deemed distribution will apply to the aggregate of the assets in all of that individual's PRSAs once any one of them is vested. The increase will apply in respect of asset values in affected PRSAs at 31 December 2012 and future years. Further details will be published in the Finance Bill.

Employer PRSI on pension contributions
The current relief of 50% of employer PRSI for employee contributions to occupational pension schemes and other pension arrangements is being removed from 1 January 2012. The change will be legislated for in the Social Welfare Bill. Approved Retirement Funds

PROPERTY BASED 'LEGACY' RELIEFS

These measures will apply to the various property-based tax relief schemes in the following manner:

Section 23-type Reliefs and Accelerated Capital Allowances
A surcharge will be introduced effective from 1 January 2012 on individuals with gross incomes over €100,000. The surcharge will apply at a rate of 5% on the amount of income sheltered by property reliefs in a given year.

This surcharge (essentially a higher rate of USC) will apply to all investors regardless of whether they invested in Section 23 or accelerated capital allowance schemes with this level of gross income.

Residential owner-occupier relief is unaffected by these changes.

Accelerated Capital Allowances
Investors in accelerated capital allowance schemes will no longer be able to use any capital allowances beyond the tax life of the particular scheme where that tax life ends 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.

RELEVANT CONTRACTS TAX (RCT)

There were no changes announced in the Budget.

VAT

VAT rate increase
With effect from 1 January 2012, the standard rate of VAT will be increasing from 21% to 23%. For details of the effects of this change please see the VAT information leaflet – 'Budget Rate Change 2012 – Increase in the Standard Rate of VAT to 23%' on www.revenue.ie

Reduced VAT rate for district heating
With effect from 1 March 2012, the rate of VAT that will apply to the supply of district heating will be reduced from the standard rate to the rate of 13.5%. The reduced rate is provided for by the VAT Directive, and the measure will be included in the Finance Bill.

Reduced VAT rate for admissions to pet farms
With effect from 1 January 2012, the rate of VAT that will apply to admissions to pet farms/open farms will be the reduced rate of 9%. The reduced rate is provided for by the VAT Directive, and the measure will be included in the Finance Bill.

Extension of the VAT Refund Order for flat-rate farmers to cover wind turbines
With effect from 1 January 2012, the refund order for flat-rate farmers will be extended to cover micro-generation wind turbines. This will apply to wind turbines supplied and installed after that date.

CORPORATION TAX

Relief for investment in Renewable energy generation
The qualifying period for the scheme of tax relief for corporate investment in certain renewable energy projects is being extended from 31 December 2011 to 31 December 2014.

The purpose of the scheme is to encourage investment in renewable energy projects and to facilitate the growth of electricity generation capacity using these sources.

To qualify for the relief the energy project must be approved by the Minister for Communications, Energy and Natural Resources and be in one of the following categories of technology:

- Solar
- Wind
- Hydro (including ocean, wave or tidal energy)
- Biomass

3 Year Tax Relief for Start-up Companies
The scheme which provides relief from corporation tax on the trading income and certain gains of new start-up companies in the first 3 years of trading is being extended to include start-up companies which commence a new trade in 2012, 2013 or 2014.

R&D tax credit
A number of changes are being made to the R&D tax credit scheme as follows:

• Volume basis
The first €100,000 of qualifying R&D expenditure will benefit from the 25% R&D tax credit on a volume basis. The tax credit will continue to apply to incremental R&D expenditure in excess of €100,000 as compared with such expenditure in the base year 2003.

• Outsourcing limits
At present sub-contracted R&D costs are eligible where they do not exceed 10% of total costs or 5% in the case of sub-contracting to third level institutions. This limit can disproportionately affect smaller companies who may have greater need to outsource R&D work than larger multinationals with greater internal resources. The outsourcing limits for sub-contracted R&D costs are being increased to the greater of 5 or 10% as appropriate or €100k.

• Use of the credit to reward R&D employees
Companies in receipt of the R&D credit will have the option to use a portion of the credit to reward key employees who have been involved in the development of R&D. This change will be monitored closely.

CAPITAL GAINS TAX

The current rate of 25% is being increased to 30%. This increase applies in respect of disposals made after 6 December 2011.
A new incentive relief from CGT is being introduced for the first seven years of ownership for properties bought between Budget night and the end of 2013, where the property is held for more than seven years. Where such property is held for more than seven years the gains accrued in that period will not attract CGT. This measure comes into effect after 6 December 2011.

Measures to incentivise timely business and farm transfers
Full retirement relief from CGT for intra-family transfers will be maintained for individuals aged 55 to 66. An upper limit of €3m on retirement relief for business and farming assets disposed of within the family is introduced where the individual transferring the assets is aged over 66 years. This will incentivise earlier transfer of farms.

(The current unlimited amount applies for a transitional period of two years for individuals currently aged 66 or who reach that age before 31 December 2013.)

The current upper limit of €750,000 for assets transferred outside the family for individuals aged between 55 and 66 years will be maintained. The upper limit for retirement relief for business and farming assets transferred outside the family is reduced from €750,000 to €500,000 for individuals aged over 66 years.

(The current upper limit of €750,000 applies for a transitional period of two years for individuals currently aged 66 or who reach that age before 31 December 2013.)

Full details of these measures will be set out in the Finance Bill.

CAPITAL ACQUISITIONS TAX

Rate of tax
The rate of tax has been increased from 25% to 30%. The new rate of tax of 30% applies to gifts and inheritances taken on or after 7 December 2011.

Tax-free thresholds
The Capital Acquisitions Tax Group A tax-free threshold has been reduced from €332,084 to €250,000. The reduced tax-free threshold of €250,000 applies to gifts and inheritances taken on or after 7 December 2011.

The Group B tax-free threshold of €33,208 and the Group C tax-free threshold of €16,604 both remain unaltered.
The tax-free thresholds that apply to gifts and inheritances taken on or after 7 December 2011 are therefore as follows:

Group A €250,000	Applies where the beneficiary is a child (including adopted child, step-child and certain foster children) or minor child of a deceased child of the disponer. In certain circumstances parents also fall within this threshold where they take an inheritance from a child.
Group B €33,208	Applies where the beneficiary is a brother, sister, niece, nephew or lineal ancestor or lineal descendant of the disponer.
Group C €16,604	Applies in all other cases.

EXCISES

Mineral Oil Tax (MOT)
Mineral Oil Tax (MOT)
The rates for petrol and auto diesel are increased with effect from midnight on 6 December. These increases, when VAT is included, amount to just under 1.5 cent on a litre of petrol and just over 1.5 cent on a litre of auto diesel.

The new MOT rates are €587.71 per 1,000 litres for petrol and €479.02 per 1,000 litres for auto-diesel.

The rate for aviation gasoline, which is aligned to the petrol rate, and the rates for heavy oil used for non-commercial navigation and flying, which are aligned to the auto-diesel rate, are increased accordingly.

Tobacco Products Tax
Tobacco Products Tax rates are increased with effect from midnight on 6 December. The increase amounts to 25 cent, inclusive of VAT, on a packet of 20 cigarettes, with pro rata increases on other tobacco products.

VRT

There were no changes announced in the Budget.

STAMP DUTY

Non-Residential Property

A new lower rate of 2% has been introduced for non-residential property. The single rate will apply to the entire amount of the consideration and the current exempt threshold of €10,000 has been abolished.

The new rate applies to instruments executed on or after 7 December 2011.

Transitional arrangements will apply where, as a result of the new rate, a taxpayer is disadvantaged compared to the stamp duty treatment applicable prior to 7 December 2011. The transitional arrangements will apply where an instrument is executed on or after 7 December 2011 and before 1 July 2012 solely in pursuance of a binding contract which had been entered into prior to 7 December 2011.

Consanguinity relief, which reduces the stamp duty liability by 50%, will cease to apply to non-residential property for instruments executed after 31 December 2014.

FARMER TAXATION

Stock Relief for Registered Farm Partnerships
An enhanced 50% stock relief (100% for certain young trained farmers) for registered farm partnerships is being introduced and will run until 31 December 2015 subject to clearance with the European Commission under State Aid rules.

Changes to CGT retirement relief
In order to incentivise the timely transfer of farms before the current owners reach 66 years of age, changes are being made in respect of retirement relief from CGT.

Please see the Capital Gains Tax section in this leaflet for further details.

Disclaimer

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